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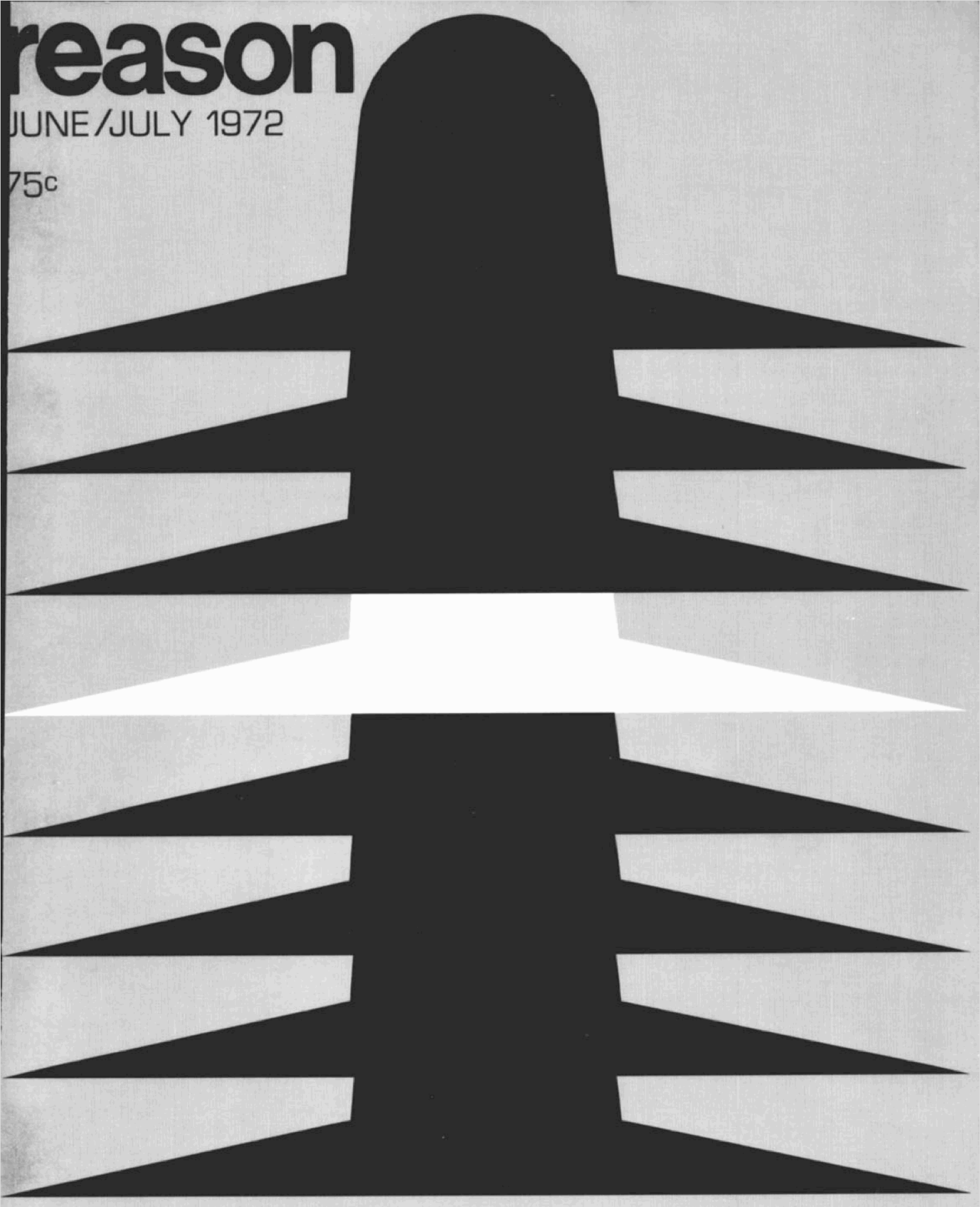

Working within the system: An interview with Sam Peltzman

Transportation regulation: A debate

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working within the system:

an interview with sam peltzman

INTRODUCTION

In the midst of growing statism and diminishing areas of freedom, there exist individuals with insight and influence who are critical building blocks in working toward the free society. It is one of *REASON*'s functions to present such individuals to its readers.

This month, *REASON* presents its interview with one of the country's bright young free-market economists, Sam Peltzman. Professor Peltzman is an associate professor of economics at UCLA. He has previously served as visiting professor at the University of Chicago (1968-1969) and recently took a year's leave of absence from his UCLA post to serve as Senior Staff Economist for the Council of Economic Advisors (1970-1971).

Professor Peltzman has published in such professional journals as *AMERICAN ECONOMIC REVIEW, JOURNAL OF LAW AND ECONOMICS* and the *JOURNAL OF POLITICAL ECONOMY* and he has co-edited, with UCLA professor J. Fred Weston, *PUBLIC POLICY TOWARD MERGERS* (Goodyear, 1969). He is a member of the Mont Pelerin Society, an international organization of influential free-market advocates.

Professor Peltzman received his Ph.D. degree in economics from the University of Chicago in 1965, where he was also active as business manager and associate editor of *NEW INDIVIDUALIST REVIEW*, the prestigious journal of classical liberal thought published from 1961 through 1967. He received his B.B.A. in economics in 1960 from CCNY, and despite being transplanted to the West coast remains a diehard supporter of the Mets.

A libertarian, Professor Peltzman is particularly interested in the field of governmental regulation of business. Educated in the empirical tradition known as the Chicago School of Economics, he favors rigorous empirical testing of economic theories, in contrast to free market economists of the Austrian School, such as Mises and Rothbard, who are methodologically opposed to empiricism as a means of attempting to verify a priori propositions.

Peltzman's pessimistic prognosis concerning the demise of passenger train service does not reflect his genuine enthusiasm for passenger trains, which has led him to travel thousands of miles to experience rides on leading railroad lines.

Peltzman left his tour of duty with the Council of Economic Advisors on the eve of Nixon's imposition of wage and price controls, and he shares no culpability for the New Economic Program. His experience in Washington and his contact with the realities of political expediency are matters of special interest to those libertarians who supported the Nixon administration as a means of reducing the ambit of government control.

REASON editors Robert Poole and Manuel Klausner interviewed Professor Peltzman in his office overlooking the UCLA campus. The discussion ranged from his views of inflation and the New Economic Policy to pollution and transportation policy with many topics of interest in between.

REASON: What are your views of the Nixon new economic program?

PELTZMAN: I'm against everything but floating the dollar, and now that's probably about to go.

REASON: What do you see as the real cause of inflation?

PELTZMAN: Obviously, the expansion of the money supply that began in '64 and '65.

REASON: It's quite obvious that many libertarian and Chicago School economists have been saying that and appearing to demonstrate it . . .

PELTZMAN: No one in the profession doubts this any more.

REASON: That's what I wanted to ask. No one in the profession doubts it and yet prominent economists, particularly those with links to the Democratic Party, come out and make statements in support of programs to hold down wages and prices as if such programs ***could*** control inflation. Why? How can they say that and hold any professional standing in economics?

PELTZMAN: Well, I'll tell you. Let me try to put what they're saying in the best possible light. O.K. The kind of thing they're saying is something like this: We've had a process which we will admit back in '64 and '65 was engendered by, and I will be eclectic, a rapid rise in government spending and an acceleration of monetary growth, you can put the weights on those two things, again depending on who you're talking to, but no one will deny that one or both of those factors started the inflation. OK, this thing gets going. It's gone on for a few years, the rate of inflation has accelerated from around 1% back in those days to on the order of 4%, 5% and sometimes 6% in recent years. If you're a businessman or a labor leader making a contract today you are going to expect at least more than 1% and why not 4% and 5% to continue on into the period in which you're making contracts so people begin on the basis of this recent history to build up expectations about inflation. O.K. So you get Nixon coming into office in '68 and '69 and he's going to stop inflation by the traditional method. So the Fed [Federal Reserve] cuts back on money supply, but wages and prices keep on rising . . . . Well that isn't the way it's supposed to work. When you get some unemployment, prices are supposed to stop rising. Well, after this goes on a while, the reason adduced for the fact that the policy isn't working is that people have these expectations about continuing inflation and they're continuing to make contracts on the environment of these expectations so that the only thing that the monetary policy does is to, at

least in the short run, engender a lot of unemployment and it doesn't begin slowing down prices and you begin to realize that it's going to take a hell of a lot longer for those price expectations to be reduced than you thought, number one. Number two, you've got an election coming up in 1972 and you can wait around for those price expectations to be sufficiently revised. So what you've got to do is change those expectations, and putting the best face on the present policy, what you're trying to do is get people suddenly, and in one stroke, to become convinced that there's going to be less inflation. O.K. And if you can do that, you also reduce the unemployment because sellers of goods and workers no longer hold out for higher prices and wages. O.K. That's the best way that I can put the argument. The policy would have to be supplemented, if you're going to carry out an intelligent policy, by reducing the growth of the money supply, so that in the future you can take off the controls, people's expectations about inflation will have been moderated, there's no push from the monetary side to further inflation and you're where you want to be. All right, that's the way I would rationalize the present policy.

REASON: What would you view as the effect of catering to this psychology of business or of the public in trying to gear down from inflationary expectations?

PELTZMAN: The attempt to reduce these expectations by price controls?

REASON: Yes.

PELTZMAN: I don't think it's going to work.

REASON: Why not?

PELTZMAN: Because I don't think you get anything for free and in particular you don't change expectations at no costs which is almost what the NEP implies . . . that is, I can't think of any plausible reason why anybody should believe that monetary policy and fiscal policy in the future is going to be any different from what it was in the past just because you've gone through an episode in which you say prices shall not rise. So I think the more likely effect of these controls, to the extent that they're at all successful, when they're removed you're going to get the same, roughly the same rate of increase in prices that you were getting at the time of their imposition unless monetary and fiscal policy is changed.

REASON: Doesn't this say then that the policy makers realize this, they'll decide that you can't really remove the controls?

PELTZMAN: You have to make a guess. I would say yes, there's a good chance of that—yes.

REASON: What about the controls themselves as ameliorating the effects of inflation, assuming you don't have the reduction in the expansion of the monetary supply?

PELTZMAN: I said I don't think they're going to work. Perhaps I should have said that I don't think they're going to work in the large. They will surely have substantial effects in particular areas. For example, I think that the government can make the price indexes show less inflation by selecting the areas in which controls will be applied forcefully. But I think that in the real sense the rate of inflation won't be very much affected by the existence of controls.

REASON: Aside from credit expansion as a factor leading towards the high rate of inflation, might the fact that money might be in circulation with a higher or lower rate of exchange or turnover be a factor?

PELTZMAN: Oh it could. There's no doubt that it could. But I don't think there's any evidence that changes in the velocity of circulation have contributed at all to what's gone on in the last few years. In fact they've damped it. The rate of growth of velocity was on the order of, given the conventional definition of the money supply, 3% a year or so up until about '67. Since 1967, that growth rate has been only 1 or 2% a year, a factor which by itself tends to reduce the pressure on prices.

REASON: You alluded before to increasing government spending as a factor in causing inflation. What role would you say has been played by the costs of the Vietnam War on the present inflationary crisis?

PELTZMAN: I would say that the role is substantial but indirect. That is, I don't think that the increase in government spending as such touched off the inflation, I think it's the way the monetary authorities reacted to that. Specifically, a significant part of that increase in government expenditures was financed by money creation. And it is this unusually large increase in the money supply to which I would directly attribute the inflation.

REASON: To look at it from another perspective, would you say deficit financing would be an influence leading towards inflation?

PELTZMAN: No, not generally. If you finance the deficit by drawing funds from the capital market rather than by creating new money, you would not have had the inflation. You would instead have had a

more rapid raise in interest rates for some period of time. But since the government's sale of debt would have drawn funds away from other borrowers, the aggregate demand for goods would not have increased, and so there would be no net inflationary pressure.

REASON: Political references have been made to "Nixon's recession." Do you care to comment on whether or not Nixon's recession is an accurate characterization because of his monetary and fiscal policies?

PELTZMAN: Well, yes. First of all, you know, the making of these policies is rather complex. For example, the effect the President has on the conduct of monetary policy is rather indirect, but I think it's accurate to say that the initial thrust of Nixon's economic policy was complemented by Federal Reserve monetary policy, that much is accurate, and I think that that monetary policy did certainly contribute to the '69 recession. Sure.

REASON: On one side of the political spectrum AFL/CIO has charged that Nixon with his wage/price controls is leading the nation towards dictatorship, and on the other side Paul McCracken has said that general wage and price control would be a serious threat to individual freedom. What's your personal reaction to the effect of wage/price controls on the freedom of Americans?

PELTZMAN: I think you have to break that into two parts. One, you really have to make a guess on the degree of enforcement. Suppose you had wage and price controls that were really enforced, whatever that means. The law said a price shall not be above a certain level and you got put up against the wall if you violate the law. Obviously, if Nixon did that kind of thing, I would have to agree with both of those statements. But there's another question you would have to ask yourself: what in fact is the likely course that these wage and price controls are going to take—and here I'm uncertain. Sometimes I tend to think that the whole thing will just break down or get changed very quickly. Sometimes, I think, as I may have mentioned before, that they will be seen not to work and the response to that will be not to liquidate them but to strengthen them. I have to say that the history of efforts, non-wartime efforts, in the direction of control, has tended to be the former, that they just tend to disappear and in that sense it's a game we're going through, an expensive game and an unfortunate one, but one that won't have any important long-term costs.

REASON: Would you be aware whether . . .

PELTZMAN: But I'm not sure . . . I mean I'm not sure which way this thing is going to go.

REASON: Would you be aware whether the economists at UCLA would share your view, or do any of them condone Nixon's imposition of wage/price controls?

PELTZMAN: Well, ten of them have already sent a letter to the ***WALL STREET JOURNAL*** criticizing the policy. Yes, I would say that most of my colleagues, or at least a good number of them, would share my doubts about controls.

REASON: Another question on the wage/price freeze: Recently Herb Stein was appointed chairman of the Council of Economic Advisers, and every article that I've seen about his appointment said that free-enterprise supporter Herb Stein now has the task of making the controls work.

PELTZMAN: Yes.

REASON: First, to what extent was or is Herb Stein an avowed free enterpriser, and secondly . . .

PELTZMAN: What's an avowed free enterpriser?

REASON: Well, it's never defined so I'm not really quite sure but presumably someone who is fundamentally opposed to the idea of wage/price controls . . .

PELTZMAN: Oh, O.K. Fine.

REASON: Believing that policy should be such that the market makes these kinds of decisions, with government policies confined to a relatively small role and not interfering substantially in the economy. First question then, is Herb Stein of that sort, and if he were, how could he take a job of "making controls work"?

PELTZMAN: Now that's a damn good question. The first answer is that up until August 15 of 1971, the Council of Economic Advisors—and Stein—were on record as being opposed to wage and price controls. I left there August 13. So far as I know Herb Stein would be an avowed free enterpriser. However that's evading your question a little bit, but I . . .

REASON: He was a member at the time.

PELTZMAN: Yes. He was a member of the Council and from every contact that I had with the members of the Council they were uniformly opposed to wage and price controls up until August 15, 1971.

REASON: How do you account for the turnabout?

PELTZMAN: Well, obviously from what I am saying I don't think that the initiative came from the Council of Economic Advisors and more generally from Nixon's economic advisors as such. I have to speculate here, because I am not certain, but I think it was Nixon's own decision, a political decision more than a decision based on a sudden conversion from one economic point of view to another. And if it's any comfort to anyone, I myself am personally convinced that all the guys around me then, that is his economic advisors, don't really think very much of the policy of controls. So I think the answer to your second question is that when the decision is made, you have to accommodate to it or get out.

REASON: I guess the choice was either to resign and let the fellows who favor controls do it, or do it yourself.

PELTZMAN: That's right.

REASON: It's kind of like the choice between arsenic or firing squad, but do you feel better off having avowed free enterprisers running the controls, rather than people who were avowedly in favor of making them work?

PELTZMAN: I suppose I am, but I'm sort of glad I'm not there for what little I would have to do with it. I can remember when I first heard the freeze announcement, my first reaction was "My God, will George Schultz resign?" because I know he was the one who was most strongly opposed to it. Of course he hasn't and he's been a very important force in setting up the Cost of Living Council, getting the freeze accepted by labor and setting up Phase II, and I suppose, maybe it's better that you have somebody doing that who's doing it in the knowledge that this thing had better be a temporary thing, and that it's really not a good policy, but let's make the best of it, let's mitigate its bad effects. But I don't know, I'm a bit torn. In a sense I'm tempted to take a much more radical position and say, you know, to hell with all of that, let it sink in its own contradictions—but other times I'm sort of glad that the good guys are in there.

REASON: Maybe you could describe at this point, Sam, what your role was, your activity with the Council of Economic Advisors. How did you make the decision to go to Washington and what did you do, and what were your expectations, and what happened?

PELTZMAN: You're asking several questions. First of all, my decision to go there was really a spur of the moment kind of the thing. I was sitting here in my office and Paul McCracken called me up and said how would you like to come to the Council and spend a year on the staff of the Council. Well I had never considered the idea, but I said I'd think about it and sort of on the spur of the moment thought, well why not.

REASON: Did you have any prior contact with McCracken?

PELTZMAN: Prior to that, no—none whatsoever. In fact with none of the members of the Council.

REASON: What year was it that you were there?

PELTZMAN: The exact dates were from August 13, 1970 to August 13, 1971. I want that in the record—***I was there not one day after August 13!***

REASON: In what capacity did you serve there?

PELTZMAN: O.K. now. I was not supposed to worry at all about the kinds of things we've just been discussing. I wasn't going to help them on monetary and fiscal policy at all. The area that I covered there was government regulation of industry. Essentially those particular markets on which government policy impinged directly.

REASON: How many people were you a part of, roughly?

PELTZMAN: I was a senior staff economist, which means that I advised the Council members, and in fact in my area most of my work was involved with

one particular Council member, namely the one who worried about regulatory policies. Incidentally Herb Stein at the time was the member who was handling the so-called macro policy, budget, monetary policy.

REASON: Who was it that you worked for?

PELTZMAN: Hank Houthakker was the one that I worked most closely with, although I had a lot of contact with Stein and of course McCracken, who would have to oversee both of these areas. But the kinds of things that I worried about were things like antitrust policy, the regulatory agencies. In particular I spent the bulk of my time on transportation policy and the Interstate Commerce Commission, that kind of thing, but also, there's the Federal Communications Commission, Federal Trade Commission, the Antitrust Division, etc. The other major area that I got involved with, since it's a now burgeoning area of government regulation, was pollution. Pollution regulation, the Environmental Protection Agency, that kind of thing. I would say most of my time was divided between the regulation of transportation and the regulation of pollution. Those were the two big problem areas that I covered.

REASON: What kind of expectations did you take with you in anticipation of this job? What sort of things did you think you might be able to accomplish?

PELTZMAN: Well, there are two separate questions. I personally, at the beginning, thought that I could accomplish very little by way of changing government policies. That expectation was rather amply fulfilled. What I expected to get out of it, was an intellectual enlightenment on the way the government works, and I think my expectation on that also was amply fulfilled—I found it an extremely interesting experience, especially the kind of problems that I was working with. I mean all the time you were at the center of problems that very powerful lobbying groups and Congressional blocks were extremely attentive to. You don't have a monetary policy lobby in Washington, but you damn sure have a trucking lobby there, and watching the way that group interacts with, say, the Department of Transportation and the Interstate Commerce Commission and the White House and us, the Council, I found this to be a terribly fascinating experience.

REASON: One of the fairly significant things that came out of the Council, during the time you were there, was a ***de-regulation plan for transportation***, which has subsequently been introduced in Congress in a very watered down form. Did you essentially hatch that idea?

PELTZMAN: I wouldn't say I hatched it. I was as you might guess right in the middle of that whole exercise, from the very first day I got there and, thank God for small favors, I suppose, I'm happy that it has finally been sent to Congress.

REASON: ***REASON*** has been tracking that for many months.

PELTZMAN: I think it's good that at least it's moving along.

REASON: Even at the beginning I imagine the various lobbies got wind of it.

PELTZMAN: Oh yes. They knew what was going on, as soon as we did anything, sure.

REASON: Did they try to use a lot of influence that would prevent it from even being released from the Council as a proposal?

PELTZMAN: First of all, it was the product of an interagency group. There is a Cabinet Committee for Economic Policy which had a sub-committee on transportation and it was that sub-committee that I was working with. Houthakker was chairman of that committee. It was developing proposals for change in transportation regulations and of course the industries likely to be most affected got wind of it. Well to be perfectly blunt about it, most of the powerful lobbying groups were out to kill it from the beginning. The truckers and teamsters, as well as the barge people felt that things are just fine the way they are, so why change it?

REASON: Could you summarize the thrust of the proposals?

PELTZMAN: As they finally emerged?

REASON: Why don't you state first, how they started out, then how they ended up.

PELTZMAN: Well, first of all, to say how they started out, where did the Council want it to go? There was a lot of difference of opinion within the government as this thing evolved. Where the Council wanted it to go, of course, was toward a rather wholesale revision in existing transportation legislation. Our economic report says that we should have more reliance on competition. Well, I suppose that if you wanted to know what goal—where we wanted to go—we wanted to go ***as far in that direction as one could.***

REASON: From a political standpoint.

"Where did we want to go? I would say it would be substantially complete deregulation of transportation."

PELTZMAN: Well no, when you say where did we *want* to go, forget the politics. I would say it would be substantially complete deregulation of transportation. That is, we wanted rates to be set in the free market, let entry and exit be unregulated, and that kind of thing.

REASON: That sort of far reaching thing would essentially abolish the ICC [Interstate Commerce Commission].

PELTZMAN: Yes. Yes. Perhaps not formally, but it would eliminate its most important powers.

REASON: And did it extend to the CAB [Civil Aeronautics Board] and some of the other regulatory commission?

PELTZMAN: No. Just as a matter of detail the Cabinet instructed us to break up our efforts into surface transportation first and then other forms of transportation. So we never got into CAB regulation at all. At that level, I mean; we got into it when policy questions came up that involved the CAB, but not on this effort, this effort was focused on surface freight transportation. Again although there was a rail passenger act—and the Council got involved in that—this committee was limited to surface freight transportation.

REASON: By "surface" you mean basically trucking and railroads?

PELTZMAN: Trucking, railroads and barges.

REASON: What did you feel brave enough or did the Council feel it was advisable politically to propose, and then what happened to that? How did that get modified?

PELTZMAN: Well, right at the start of the effort we very seriously, quite seriously discussed going all the way, let's take that starting point. I mean the transportation industry especially at that time itself wasn't in terribly great shape and the environment seemed right for at least thinking out loud about how far we could go and we took a crack at sort of going all the way. One of the notable advocates of complete deregulation, one of my colleagues, George Hilton, was a consultant to our effort. I would say that within the government, within this interagency group that was considering the problem there was nothing like unanimous agreement that we ought to go all the way but, from the Council's side, we were pushing that point of view and then we began of course modifying it, we looked over the edge of the abyss and shrank back considerably, given what's finally emerged.

REASON: You mean you shrank back seeing the legislative political problems, or because from an economic standpoint you had some qualms?

PELTZMAN: No. I think that from an economic standpoint, from that standpoint alone, the Council, myself, Houthakker, McCracken, you name them, anybody who ever got worried about this problem, never had serious qualms about substantially complete deregulation. Our qualms were about questions of equity and political feasibility. That is, we were not worried too much by the basic economic justification for deregulation, but rather by the kind of problem such as, is it really fair to deregulate entry in trucking overnight when Trucker X has paid for what he expects to be a perpetual right to enjoy a monopoly on certain routes?

REASON: Like taxi medallions in New York City.

PELTZMAN: Exactly. You know, should we do all at once or should we ease the burden a little bit, should we start small and then build up, that kind of thing. How do we time it? That was essentially the only kind of thing that . . .

REASON: Which in fact is a very complex and difficult issue.

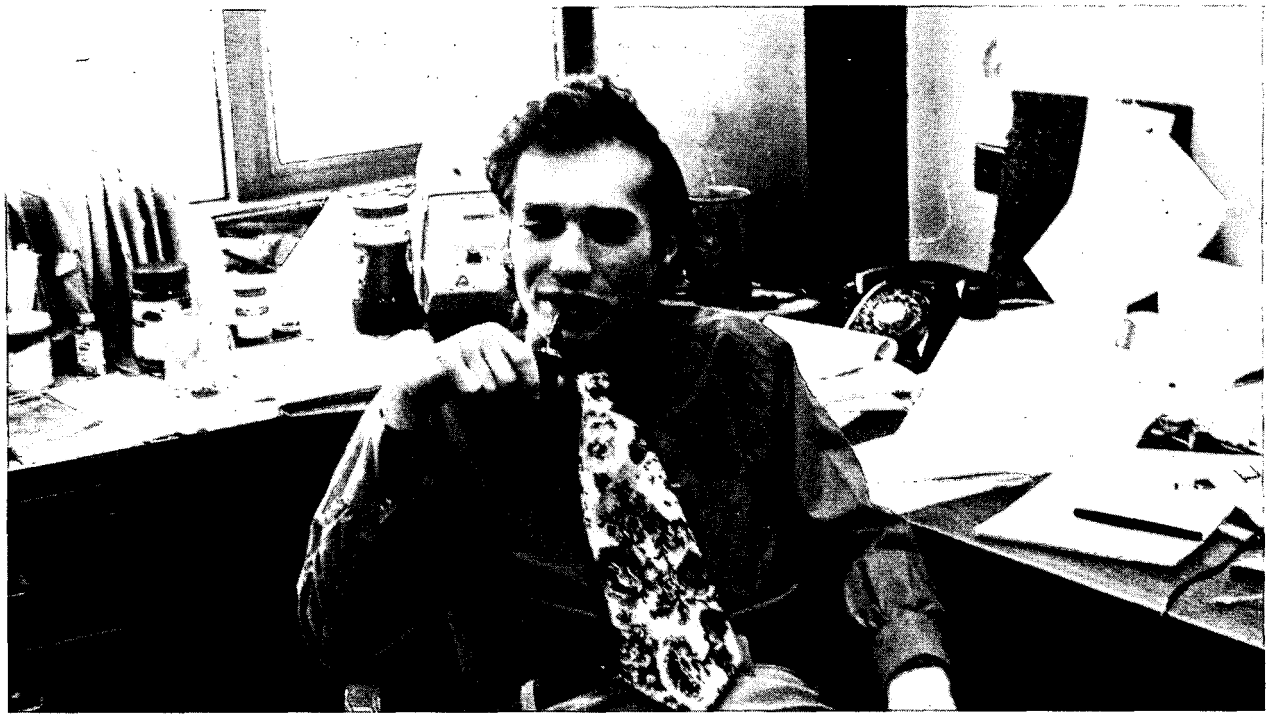
PELTZMAN: Sure it is.

REASON: Where controls are so large and so ingrained.

PELTZMAN: Yes. I don't deny that these are important issues, but where we wanted to get to, I don't think there was any serious disagreement.

REASON: What sort of things really modified what your recommendations ended up aiming at?

PELTZMAN: Well, in its broadest sense, political realism modified it. From several sources. You had representatives for example, while we were discussing this within the government, you had the government agencies represented, who had, it would be fair to say, a better feel for the political lie of the land than we did. We're not really supposed to worry about political feasibility, although you very quickly do and you learn in that environment very quickly that there are certain things that you just don't tread on because they're not feasible but, . . .



REASON: When you say political feasibility . . . I have a general sense of what you mean but I really would like to hear it made more specific.

PELTZMAN: O.K.

REASON: Do you mean that it boiled down ultimately to losing campaign contributions from influential industry contributors?

PELTZMAN: I don't want to go that far because I never really knew, you know, how much the truckers were contributing to whose campaign, and how much the Teamsters and the Association of American Railroads were contributing to campaigns. No I wouldn't put it that way . . . it's simply what you think you can send up to Congress and have some chance of getting through. Those kinds of considerations.

REASON: But, that no doubt in turn would be determined by various contributors' lobbies . . .

PELTZMAN: No, not only that. It would be determined in part by that and in part by the constituency—even where they don't contribute directly, they vote or they organize the vote.

REASON: Certain industries have a lot of influence —and a lot of jobs—and might fear that they would be affected adversely by various changes.

PELTZMAN: Sure.

REASON: Perhaps it's implicit in what you've been saying already but maybe you could state specifically: do you have any overall view of the efficacy of government regulation in your area of transportation?

PELTZMAN: The efficacy of it?

REASON: Whether it's useful, helpful, desirable in any way?

PELTZMAN: Oh I think it's disastrous. Obviously. That's one of the reasons we went on this exercise . . . maybe disastrous is too strong a word. I think it's had very bad effects on the cost and quality of transportation. The extra costs are easily several billion dollars per year.

REASON: What about the area of pollution—what kind of activity did you have there specifically?

PELTZMAN: Well, that breaks down into a couple of areas. First, we were concerned with what general methods one ought to apply to the control of pollution, on a rather abstract level, supposing you were starting from the beginning, and we almost are starting from the beginning. Of course we did have such things as the Muskie Act that did set up its own institutional framework. But suppose you were starting from the beginning to set up a method to deal with the "problem" of pollution. What kind of system would one set up? What kind of a system of property rules would one set up?

"Poorly defined property rights in environmental resources has led to pollution."

The second kind of problem that we dealt with was on the more nuts-and-bolts level. Given the laws that are already in the books, given the way the thing is evolving, what's the best way of administering them? Again, if you read the Economic Report that I was involved with, we paid more attention to the first one—the general question of how one ought to deal with the problem, rather than how one ought to administer the laws that are on the books.

REASON: Was there a general conceptual approach that was taken in the Economic Report regarding how to deal with pollution?

PELTZMAN: Yes. The general approach that we took was that the problem existed because you had very poorly defined property rights in environmental resources and that this has led to certain ill effects, bad effects, pollution.—Then, in order to mitigate those effects, the way to go was to define more clearly a set of property rights in environmental resources and define them in such a way that the property rights could in effect be exchanged in the marketplace. Rather than have the property rights defined from day-to-day by some government regulator in a way that would generate a lot of uncertainty and also a lot of inefficiency.

REASON: What about an application, for example, to water pollution. Would you envision carving out property rights in navigable bodies of water?

PELTZMAN: Well, essentially we offered two alternatives for a problem like that and maybe even three. One could go the way you suggested. That is, one could say O.K. look, dumping something into the water imposes damage. It's costly. It imposes a cost. The water isn't free any more in that sense. How do we get people to recognize that it isn't free? Well you could say there will be some fixed maximum amount of pounds of waste that one can discharge into the water—1,000,000 pounds and divide by a million and print 1,000,000 certificates rights, property rights, entitling one to dump—each one allowing one to dump a pound per year or whatever into this river—this body of water and simply have the government auction them off—get them distributed and have them transferable.

REASON: This would be defined on a technological basis, sort of the carrying capacity of the water?

PELTZMAN: Well the number would be, yes. It would be defined on the basis of that level of water quality that you felt you wanted to attain. That's one alternative.

REASON: What was the other alternative?

PELTZMAN: Well the other alternative would be for the government simply to set the price. And say you can dump as much as you want at the going price.

REASON: Effluent charges?

PELTZMAN: Right.

REASON: What about a possible alternative of private ownership of navigable bodies of water. Was that also considered?

PELTZMAN: I don't remember how much of this eventually got in there. We did discuss privatization of common property as one method by which historically, the so-called externality problem is taken care of. And I think—I'd have to look this up—but I think we mentioned things like the new towns as an example of this kind of thing. Where we have one entrepreneur essentially buy title to the whole environment to internalize, or to make private, the kind of gains and losses that now go unaccounted for.

REASON: Have you or any of those people read Spencer McCallum's book on proprietary communities?

PELTZMAN: Not his book, but I'm familiar with his ideas. There's also a work by J. H. Dales, *POLLUTION, PROPERTY, AND PRICES*. He's an economist, but he writes the thing in a way that I think gets the point across to noneconomists.

REASON: Doesn't the present system tend to encourage pollution? For example, there's no cost to a person or industry which can dump its waste into an adjoining body of water and if he made any alternative system for distributing or getting rid of his waste it would cost him more than just dumping. . . . He probably would be opposed to any sort of changes.

PELTZMAN: Of course. Sure.

REASON: Has that part of the Council report received any better fate than deregulation?

PELTZMAN: Let's see. I would say not much better, again, there is a proposal that we discussed in that report that is winding its way through this torturous government process, that there is a commitment on the part of the Administration to support, namely a charge on sulphur oxides. That I think would be the

"I was damn pessimistic when I went [to Washington] but I became still more pessimistic that the system somehow can reform itself in ways that I think are desirable."

only actual result.

REASON: There are problems with that proposal.

PELTZMAN: Yes. There's also some chance, and if it happens it will be more by accident than by design, that the administration will propose legislation—and may in fact have already done this—on ocean dumping, which, the way it's set up may permit the certificate kind of system to be implemented. The system's essentially one which requires a permit for dumping in the ocean. There's nothing in the legislation that I saw that would then prevent those certificates from being transferred. And, I myself was encouraged by the reaction that I got from the people in Washington to just simply leaving that ambiguity in—that is since you don't restrict it—it would require a positive legislative act to make the certificate nontransferable.

REASON: It seems that there were quite a few people receptive to market-oriented ideas—maybe there still are—in the Nixon administration. Do you think that this has had much of an effect on the whole course of the federal government?

PELTZMAN: Some. I myself was rather surprised and encouraged to find how large the number of people was, in rather high positions in the administration, who were market-oriented. Now that isn't saying a hell of a lot in that atmosphere because even the President himself has rather limited powers in a lot of these areas. I don't suppose that, if the President had gotten on television and proposed repeal of the Interstate Commerce Act, that its chances in Congress would have been overwhelmingly improved over what they would be if such a proposal were just floated by some Congressman at random.

REASON: Isn't this just because the structure is so complex and the agencies are so large and the rules are so . . .

PELTZMAN: Right. Yes sure, because the groups in whose interest it is to keep something like the Interstate Commerce Commission also have a strong incentive to know how the system works and to enter into a relationship with it that would prevent a disaster such as its abolition. Look, a lot of the legislation that the President has in fact come out very strongly for, hasn't done very well.

REASON: Sure. Some libertarians such as Murray Rothbard have argued that despite the presence of a lot of market-oriented people, that are brought in by Nixon's administration or by a similar administration—as opposed to the kind of people who would have been brought in if someone like Humphrey or Muskie had been elected, that despite this it would be better to elect the more left-oriented Democrats and let the internal contradictions of their policies trip them up eventually. What do you think of that? In view of what you said about the presence of all of these good people not having much effect, do you think it would make much difference had Humphrey and his type of people been in—would things really have been all that different at this point in time?

PELTZMAN: Well, there were two questions there. No I don't think that things would have been all that different up to the wage/price control thing. I think again the main difference there would have been that controls would have come perhaps six months earlier. There wouldn't have been that much difference. There would have been some difference in domestic legislation, but again, in what you eventually get in an area like transportation or even pollution, not much different. The first question is well, given that, should we even bother to make the effort? I'm torn there. I'm really torn there. Sometimes I'm tempted in that direction, but on the whole I would say no. I would say that the risk you run is too great. That if you—put aside Humphrey, I think what Murray's really talking about is somebody left of that—somebody that would really mark a departure from the middle of the road and put on controls and really mean it.

REASON: Someone who would appoint Galbraith as head of CEA?

PELTZMAN: Yes. That kind or even worse. I just think the risk in that is too great. But I'm tempted in that direction. And more so after spending a year in Washington.

REASON: That especially is what I wondered, whether that experience had changed your view on the chances for unraveling the intervention.

PELTZMAN: Sure. I've become more pessimistic. I was damn pessimistic when I went there but I became still more pessimistic that the system somehow can reform itself in ways that I think are desirable. I think though my net reaction to it is well, it's bad but you're not going to get much better. And I suppose Murray's braver than I am.

"There is no sound reason for the government to subsidize rail passenger service."

REASON: Do you think that the members of the Council of Economic Advisors or the staff are very ideologically oriented?

PELTZMAN: No.

REASON: Do you think that what free market commitment there is, is based on ideological or economic grounds?

PELTZMAN: If you're asking me about members of the Council then I would say that by and large the commitment is based on a view of what the most efficacious way of running a society is rather than any strong ideological belief in free markets—although I suppose there was some of that in all the people on the Council, but I think it's the first that's the much more important.

REASON: I wanted to ask a question on another subject. In your article in ***NEW INDIVIDUALIST REVIEW*** on the CAB, I noticed that in a number of places you used terms like "public interest" and "general interest", and I wondered if over the years, especially with your experience in Washington, with the lobbies and the various interest groups, using terms like that, whether you thought that terms of that sort really had any operational meaning, or whether they were just phrases that could always just be used politically to advance one's own cause. Do you think that there's any useful meaning to the term?

PELTZMAN: Do I think it's a useful term? Hmm?

REASON: Yes. Can "public interest" mean anything really definable?

PELTZMAN: Can I define what it means? I think so, yes. I think I can define it in a rather narrow technical way.

REASON: Could you do so?

PELTZMAN: Yes . . . well, I would define it in a way rather traditional for economists. When you're talking about a change of any kind such that I can make some people better off and no one worse off, I would say that's in the public interest. That's a change in the public interest. And I can conceive of situations of that character. Are you talking about the CAB? Eliminating the CAB and making certain side transfers—that would be in the public interest in the sense that everybody would benefit and nobody would lose—no exceptions.

REASON: Well of course it might be to somebody's detriment in the sense of people who have invested . . .

PELTZMAN: All right. That is, I'm saying that if you got rid of airline regulations, O.K.? There would be a series of gainers and losers. If somehow you totaled up the losses of the losers and you went to the gainers and you said I'm going to collect a lump sum from you equal to those losses as the price for making the change—that the gainers would say yes, go ahead and bill me and the losers would be no worse off. But it's in that very narrow sense that I would say it would be in the public interest.

REASON: Even . . .

PELTZMAN: No one ever does that, by the way.

REASON: But that's not what's generally meant by the public interest.

PELTZMAN: No. That's right. If one wanted to continue with that same line of discussion. What is generally meant—well, using that kind of definition, what is generally meant by the public interest when economists use this sort of conceptual framework is that you ***can*** make somebody better off without other people being worse off. Not that in fact you make those side payments that leave the losers no worse off. You see what I mean? If you somehow summed up the gains and summed up the losses, the gains would exceed the losses, but the losers would bear the losses.

REASON: More gainers than losers?

PELTZMAN: Yes.

REASON: That's the way it's supposed to be anyway—of course in many cases, even those who use it to allegedly mean that, in fact don't mean that.

PELTZMAN: I know.

REASON: It means the opposite. So in that sense, I think that it's a term that has almost lost any sort of legitimate kind of meaning . . .

PELTZMAN: I would agree, yes.

REASON: Getting back to transportation policy—what do you think of the government's Amtrack—the railroad passenger operation?

PELTZMAN: There is no sound reason for the government to subsidize rail passenger service, and I think it's unfortunate that it started to.

REASON: Was that one of the fights you lost?

PELTZMAN: Yes, we and George Schultz tried to get that stopped and failed.

REASON: Who was really pushing Amtrack and why? There isn't really that strong of a national rail passenger lobby as such.

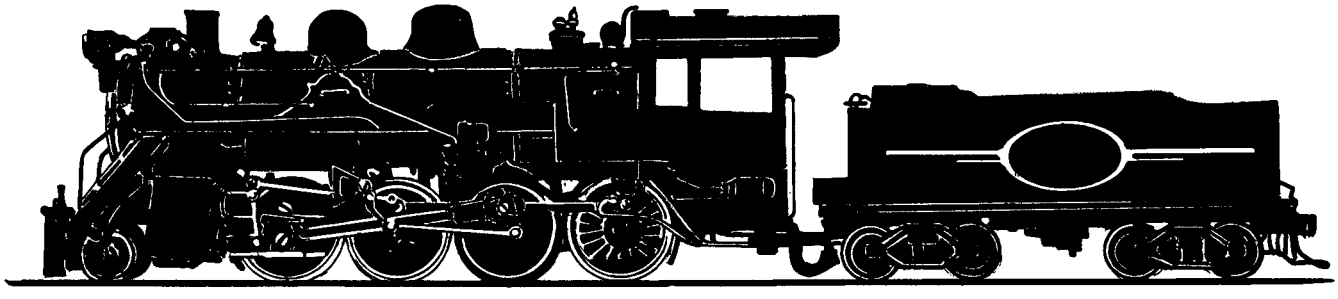
PELTZMAN: That's right. The major force behind it in the government was the Department of Transportation, at least as I saw it. Like the Department of the Interior likes to have water projects, DOT wanted some tangible sign of their existence, and this was one of them—the rest of the administration was pretty much skeptical about the justification for rail passenger legislation. I can go into it but I don't really want to go into how the Department of Transportation—the mover inside the government that could get the thing through Congress and then get the President's signature on it—induced the President to sign it. I can only say that—and this was reported in the press so I'm not really revealing any secrets—that both the Council of Economic Advisors and the Office of Management and Budget urged the President to veto the bill. He didn't for a variety of reasons do that—As we saw it rail passenger service was very much like the buggywhip—a service that once was valuable and now wasn't worth its cost. The way to deal with that is simply to let it die. A lot of those who secretly agreed with us but supported Amtrack, argued that in fact that you had to have something like this, precisely to attain . . .

REASON: To kill it off.

PELTZMAN: Right. To kill it off.

REASON: How did that happen?

PELTZMAN: The Interstate Commerce Commission procedures were simply too slow and you had to somehow get a package through Congress—again there's a perfect example of this kind of political doublethink in which you say you were going to preserve rail passenger service but at the same time you'd cut it in half. In fact, that's what Congress did—they really did. They cut passenger service in half. But I guess as we saw it, once you got a government corporation running the service, and the inevitable, the continual decline of the demand for passenger service created financial problems for the corporation, the danger was that you would then convert the basic issue from one of "should we have rail passenger service?" to the question of "should we have a federal corporation go bankrupt?" And we were afraid that saving the government's prestige would be very costly. I think my estimate at the time was that the corporation as it was funded would have to come to Congress for supplemental appropriations, that it would have to go bankrupt without supplemental appropriations, within three years. Well, it's already happened within a year, so I was very optimistic. But the Department of Transportation was telling us that the thing would be profitable in five years. I don't think they or anyone else really believes that. We felt at the time that the best thing to do would be to let the railroads' losses mount, and the ICC, which was in fact responding to the losses at the time, would eventually have to simply grant more and more of the railroads' discontinuance petitions. We felt that keeping it in that kind of an arena would make it less likely for uneconomic passenger service to be perpetuated than would continual subsidization of the service by having a government corporation. But I don't know—it may fade out of the picture and I may be overly pessimistic. The losses are just so staggering that Congress may balk at keeping it up.



REASON: Do you see any future at all for the passenger rail service?

PELTZMAN: Very little. Very little, if any. There's a serious question about whether if it's not subsidized, whether there's any future for it.

REASON: What about the Autotrain concept where transit is provided both for passengers and cars?

PELTZMAN: That's intriguing. That may be one of the very areas where you'll have some—where there will be some supply. But think about the special circumstances that are required for the success of an operation like that—you've got to have a number of people going from Place A to Place B and who want cars, at place B. And plan to spend a lot of time there, so car rental is relatively expensive. Well that's going to knock off almost anything but vacation—seasonal vacation travel kind of thing. That is an extremely limited market. Passenger service may be viable in the Washington/Boston corridor although there are some doubts even about that, but it may be viable there because of the fixed cost involved in airplane travel—the question is how much quicker can it be made than bus travel at how much cost? And that's the real imponderable there. The Department of Transportation's own figures on their Metroliner experiment between Washington and New York show that it's breaking even on just its operating costs. Some doubt whether it's going to repay the capital costs of buying new equipment. If you allocated to passenger service any substantial part of those costs of running the line that are common to freight and passenger service, there is very serious doubt that it would ever break even. But if it will ever work, that's about the only case. Short distances, very high speeds, so you can offset the advantage of the airplane.

REASON: The alternative mode of travel is private cars or buses—highways, many of which are supported or funded by federal highway funds. Did you also consider the role the federal government plays as far as the national highway system?

PELTZMAN: Sure. But that doesn't bias things in favor of the rail passenger system at all. Not in any particular way. You know, the crude user charge that we have for the highways, the gasoline tax, even though it's crude, it's still a measure of what it costs, and that measure of what it costs for a car to go over a highway may even overstate it a little bit.

REASON: Not for freight though, to the extent you have heavy trucks . . .

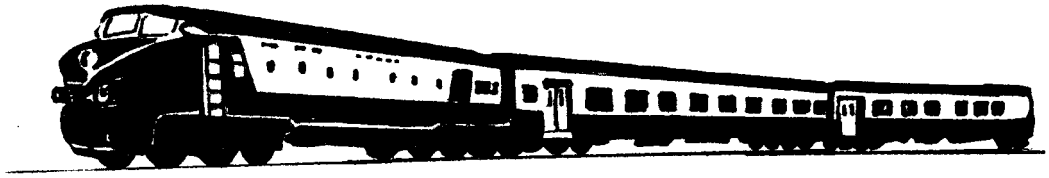
PELTZMAN: In fact there—you have a completely different ballgame. A lot of stuff that moves over very long distances by truck, under a competitively organized regime may in fact move by rail—you may get a move back of some of that to rail. I was just talking about passenger service.

REASON: But then, wouldn't that make it easier for the passenger service to continue—if you could allocate costs. If you had more revenue coming in from shipment of freight?

PELTZMAN: It may make it easier for the Interstate Commerce Commission to impose a tax on the freight traffic to keep the passenger service up but it doesn't make it any more viable economically.

REASON: Well, I'm thinking as far as the allocation of costs for capital improvements or the capital equipment itself—if the passenger service could hold its own with respect to operating costs.

PELTZMAN: Yes. There's actually no question that the passenger service can't hold its own even on that very limited basis. You know the ICC figures for the last year before Amtrack showed that if you just took those costs—not even those costs which could be avoided in the long run if you went out of the passenger business—but those costs which are solely related to passenger service—just the guys who are driving the locomotives and the materials used up in providing passenger service—just count that and subtract the revenues and that's minus $200,000,000 last year! Amtrack got rid of half of the service and it's loss is $170,000,000 this year. So the out-of-pocket loss is growing at a fantastic rate. Admittedly you're not going to cut off half the loss by cutting service in half, so it's an unfair comparison; it wouldn't automatically go down to $100,000,000. But you cut off a substantial part of the service, and the loss is almost back up to where it was before Amtrak got started with it—and growing at an enormous rate. ◻



transportation regulation: a debate

In this issue, REASON *presents a discussion of regulation in the transportation industry. Two industry spokesmen offer their arguments for regulation and government interference; the third participant, an economist, is alone in offering suggestions for free market solutions to the intricate problems of routes, schedules, pricing, etc. that face the huge industry. We think the contrast of the views given here is illuminating. The "ins" want to stay in, keeping competition out by means of their I.C.C., and the public be damned.*

This discussion was presented before the Transportation Section of the Town Hall Forum in Los Angeles and is printed here by permission.

Panelists:

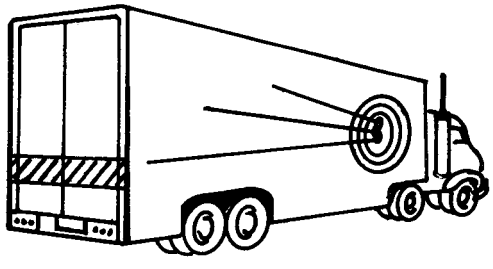
Joseph C. Kaspar, Director
Division of Transportation Economics
California Trucking Association

Frederick G. Pfrommer, General Attorney
Atchison, Topeka and Santa Fe Railway Company

George W. Hilton, Professor of Economics
University of California, Los Angeles

Remarks by: Mr. Joseph C. Kasper California Trucking Association

We have a situation in land transportation where the railroads ***were*** the dominant form of transportation. Trucks came along later getting an impetus from the military development during World War 1. In the 30s they began to make their mark to the point of becoming competitive. In 1935 they were brought under regulation.



Starting from nothing, the common carrier trucking industry in the United States now earns over half of all the revenues paid for land transportation. In California, we now earn up to 95% of all the intrastate revenues, so we can't say that regulation has had any adverse effect on our growth. Neither do we believe that a case can be made that the public has not enjoyed the type of service that they felt was necessary and desirable.

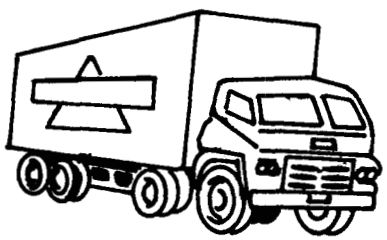
GOVT. OMNIPRESENCE

Why is there so much current discussion and pressure from some quarters to return to the laissez faire system insofar as transportation is concerned, where ***in every other field*** the government is taking over? The rest of the economic system is subject to increasing surveillance and control by the government, much of which is sought by various economic entities, not just by the bureaucrats. Regulation of transportation is a development which occurred before we started thinking about the more complete economic control we now have. Today the government is in everything, the price of a haircut, how much cotton you can grow, etc. Before any of that came into existence we had transportation regulated by the government. The reason is that it is almost as much of a utility as the availability of water or power. There was a necessity for some regulation to prevent various practices which could substantially disadvantage certain interests in the country.

The argument is being advanced that time and circumstances have changed and therefore regulation is outdated and no longer necessary. Many of these allegations are being made by people who had no voice in the type of regulation which has been established and they would like to have a crack at it.

BUREAUCRACIES

It is fairly obvious that we have certain bureaucracies in government which would like to get rid of the present agencies so that they can step back in later when everyone says there is a problem and achieve goals which can't be achieved politically at the moment.



If you look at the subject from another angle, you would have to admit that times have changed, but no basic laws of economics have been repealed since transportation became regulated. And I doubt that there have been any changes in the laws which govern human nature and the advantages which some parties will take at the expense of others or at the expense of society as a whole. We, therefore, do not see that a change is necessary at this time which would remove the regulations which have served to stabilize the transportation system in this country.

Probably the regulated carriers have done a lot to bring this present wave of discussion upon themselves. The railroads perhaps have been more at the crying wall than we have, but that is understandable from my opening comments.

However, again it's human nature to blame any problems of management or circumstances on the regulatory agency, rather than to admit that it was your own mistake or that it was caused by forces greater than any of us. We feel that perhaps it is appropriate that we refuse a regulatory system which applies to transportation, but not from the viewpoint of those advocates of deregulation who point to the theoretical advantages of moving into free enterprise and to voice all of the other platitudes which surround the removal of government control and bureaucracy which follows. We feel that many of the existing problems could better be remedied by revision of the present system of regulations rather than by total removal. If transportation were to be deregulated and the Interstate Commerce Commission removed, there is no advocate of this course who would not concurrently require that other laws governing economic enterprise should not also apply to transportation. The antitrust laws, for example. The joke is that if we move in the direction that many people are advocating, we're just going to chisel the name "ICC" off one of those buildings in Washington and replace it with "Annex to the Department of Justice," because the same people will be looking at the same problems and developing their own system of rules and regulations and we're back to a regulatory system of a different type. We don't consider that particularly sound because transportation ***should*** be regulated by ***specialists***. The question, then, is, what changes can we make in the rules and practices of regulation which will improve the transportation system both to the common carriers and the public which it serves?

INEQUITIES

We'd like to suggest the removal of some of the present inequities in order to strengthen the common carrier transportation system. First, we should ***curtail present economic exemptions***. Prices

on everything you happen to buy or ship are higher because certain commodities are subsidized. The exemptions should be eliminated and all parties treated equally. Secondly, common carriers should be permitted to ***abandon nonessential facilities***. Anyone who has followed the bus or mass transit situation with any degree of care knows that it is costing us more to get people moved under public ownership than it did under private. But, under private ownership, we had a set of regulations which precluded the private bus operator from abandoning nonessential services or charging adequate amounts to compensate for services rendered. We're finding the same sort of thing developing in the freight field.

The regulatory system should permit common carriers to discontinue unnecessary services. For example, we are required to use "order-notify" bills of lading. It probably costs $20 above ordinary handling. One hundred years ago, there was no banking or credit system, the mail system was poor, and it was a necessary function. Today it is incurring extra costs which are either absorbed or passed on to other people. Similarly, there should be some method to ***facilitate rate increases during inflationary periods***. This is the major problem facing the industry today. It is limiting our ability to keep our fleets and service levels current. We would also propose that the system preclude rates below cost and have everyone pay his fair and equal share. Under "Section 22," which the Department of Defense will not agree to eliminate, everyone is paying another tax because the common carrier system is handling freight below cost for the government. The cost is passed on to all the users of the service. We propose to ***let the government pay its fair share of transporting goods***. We would suggest that discriminating taxation, which is hampering the ability of common carriers, be eliminated. For example, the Safeway truck is exempt from the 1½% tax on their operation while the common carrier hauling groceries to another store pays! Private trucking moves across the highway in direct competition with the common carrier, yet it does not pay the same taxes. There's a whole book that can be written about the effects of discriminatory taxes upon the railroads.

We would also suggest that the government might consider ***restoring the investment tax credit*** for facilities which are dedicated to the public. If it isn't done in this manner we'll be moving over into public ownership and then it will show up in your tax bill as a property tax or something else, which is typical of mass transit in California. Finally, the various ***regulatory commissions should be more adequately funded*** in order to more effectively correct violations and explore needed changes.

REVIEW REGULATION

We have a pretty good transportation system in this country. The idea of a review of the regulatory methods is obviously sound. Our conclusions are that we shouldn't throw the baby away with the bath water, but some changes are indicated which would strengthen the common carrier industry, both truck and rail. To the extent that the common carrier system is strengthened, the public interest will be served.

Remarks by:
Mr. Frederick G. Pfrommer
Atchison, Topeka and Santa Fe Railway Company

The transportation system of the country accounts for about 20% of the Gross National Product. The railroads measured on a ton basis handle 41% of all the intercity freight traffic. That is more than the trucks, barges, and airlines combined. Of the various kinds of transportation, ***100% of rail transportation is regulated, 39% of truck transportation*** is regulated, and ***15% of barge transportation*** is regulated. So we have a situation where the railroads, the single most important agency of transportation, are 100% regulated, whereas the agencies that handle less transportation are less regulated.

Now the reason this subject of regulation is timely right now is that there is a crisis situation that some of the railroads find themselves in. Out in the West, we've been more fortunate. The railroads that serve Los Angeles, for example, are all in relatively good financial condition. The problem is that although most of the really troubled railroads facing the crisis are in the East, half of all the railroad freight traffic is hauled by two or more railroads. What happens in the East to some railroad which doesn't come within 2,000 miles of California is of tremendous importance to the railroads serving California and hence it's of tremendous importance to you.

MONOPOLY?

The railroads did have a monopoly on transportation at one time, and many laws were passed having that in mind. We don't have a monopoly now. The fact that we are the single largest mode of carrier doesn't mean that we have a monopoly, but we're still facing the problems of regulations that were passed when we had the monopoly.

To decide whether regulation in this country is a service or disservice it is necessary to go back and consider why the Interstate Commerce Act was passed in the 1880s, what purpose it had, whether it achieved that purpose, and whether that purpose still exists.

I. C. C.

Regulation of railroads started because railroads were literally and practically a monopoly and the law accepted their existence and set about to regulate them. The purpose of the Interstate Commerce Act was to control the monopoly by prohibiting discrimination, requiring that all carriers charge a price which they had to make known to everybody. Over the years the Act has been amended so many times that it has truly lost its original purpose. The Act still is aimed at preventing discrimination and the other bad features. That purpose has largely been achieved. However, the Act and the ICC have actually gone far beyond the original purpose. The Commission now has the power not only to prevent discrimination and the like, it now has the power to prescribe minimum rates, maximum rates, the exact level of rates, and even the power to prevent changes in rates from becoming effective, not just upon the complaint of the public in general but upon the complaint of a competing carrier or of a user or nonuser of the service, and to hold those rates in suspension while it considers whether they should be allowed to go into effect!

Until the mid-30s, motor carriage was not regulated by the Commission. In 1932, the Commission found that unregulated trucking was subject to "internal competition induced by the ease of entering the industry." Those are the Commissioner's words, and note the emphasis is on "internal competition." In other words, the competition of truck against truck. The Motor Carrier Act was passed in 1935, and it was prefaced by a statement of national transportation policy that the rates of motor carriers should be regulated so as to preserve the inherent advantage of motor carriage and foster sound economic conditions with respect to motor carriage. The emphasis even as late as 1935, when competition between types of carriers came into effect, was upon competition of motor carrier with motor carrier. There was, at that time, little demand by shippers for regulation of motor carriers. Rate regulation, the specifying of rates, was not even an important objective of the Motor Carrier Act.

Over the years and up until about 1955, the Commission placed increasing emphasis upon whether a rate change threatened the traffic of another carrier. It wasn't a question of whether the rates were too high or too low in the classical sense; the emphasis was on ***competition*** between types of carriers. In many cases, the Commission found that a rate which the railroads proposed was compensatory, paid its way, and subsequently contributed to overhead, but nonetheless it would constitute unlawful and destructive competition because the rates, in the Commission's words, were "lower than necessary to meet the competition" of the other carrier. Now it's inherent in that approach that if you're just talking about a rate being lower than necessary to meet competition, you're trying to preserve the status quo; you're not trying to bring about change. As businessmen, you must certainly be aware that when you try to decide how low a price would have to be in order simply to meet competition you are faced with a very difficult economic decision. How in the world can you decide in advance how low your price should be to meet competition? Imagine how much more difficult that is if you are a Commissioner who may or may not have had extensive business experience but who is confronted with the competing interests of truckers, railroads, shippers, and the nonshipper who thinks his competitor is going to get an advantage! Imagine the difficulty of making a decision under those circumstances. The economic decision as to how low the rate ought to be was being set by an administrative agency back in Washington. What has happened is that ***the power for making the decision has been separated from the responsibility for making it***. The ICC in Washington has the power to make the decisions and the carriers are left with the responsibility for the outcome.

WEAKS REPORT

It was originally intended that the Commission would serve as a referee between shippers and carriers during disputes. However, the Commission

has now become an agency to allocate traffic between different types of carriers. Studies have been made of this intercompetitive carrier situation back in Washington. One of the groups which conducted a study was known as the Cabinet Committee or Weaks Committee. They issued the Weaks Report in 1955. The report recommended a relaxation of regulation over intercarrier competitive situations so as to let the market, rather than the ICC, determine who gets the traffic. By the time the report was translated into laws and interpreted by the Commission, the results were so watered down that they meant nothing.

More recently, a report by the Doyle Committee in 1960 or 1961 reached substantially the same conclusions. In addition, they pointed out that the proportion of traffic moving in private and not common carriage was steadily increasing. They reported that in 1946, private intercity transportation constituted 21% and by 1959 had increased to 33%. They stated that if this trend continues, private and exempt carriage would account for one half of the intercity freight traffic by 1975. In 1959, the unregulated intercity trucking of freight was 197.2 billion ton miles. In 1968, it was 241.8 billion ton miles. Water transportation increased twenty times between 1946 and 1968. Regulations which do not allow the competitive forces to take a firmer hand in establishing prices have brought about ***a switch to private, nonregulated carriage***, threatening all of the common carriers.

CONGRESSIONAL SNAFU

The most obvious inequity of all is being put in a position where Congress approves an increase in the wage rate and not allowing a price increase to offset this. It is first necessary to file an application and have a hearing before the ICC. Testimony before Congress indicated that if during one five-year period the ICC had reached its approval within 60 days instead of at a later date, the railroads would have had an additional revenue of $1 billion!

We have the findings of economists, transportation specialists, and high government officials that the present system of transportation regulation is a disservice to this country. I can only say ***amen*** to that conclusion.

Remarks by:
Professor George W. Hilton
University of California, Los Angeles

One of the attractions of attacking the present regulatory framework, as distinct from defending, it is that I can describe it as it is. The defenders have to describe it in euphemisms. I can call it a cartel and discuss it in terms of cartel theory because that's what it is and, contrary to widespread opinion, that's what it always has been.

CARTEL

A cartel is a group of firms which price jointly. Private efforts at cartelizing are unambiguously illegal under the Sherman Act as well as under common law previously. You can't price collusively and you can't shoot policemen. You can go to jail for doing either, unless, that is, you get the government to supervise your collusive pricing for you.

Contrary to the older point of view of historians on the origin of the ICC, the purpose of the ICC, when it was established in 1887, was not to regulate a monopolistic industry. The industry wasn't monopolistic. It wasn't engaging in extortionate pricing. American railroad rates in 1887 were, on the average, the lowest in the world. The problem was that the industry had been engaging in collusive pricing spasmodically since the 1850s and systematically since 1869. The industry was in a mature state of cartelization. The establishment of a cartel, whether it's the half dozen gas stations in the town of Morgan Hill, California, or the railroads, or something in the nature of the agricultural price support program, will attract a large volume of resources. The purpose of a cartel is to generate some monopoly gain. In the case of the railroads, the purpose was to allow them to engage in value service rate making between points they served jointly, such as Chicago and Omaha, in the same fashion as they could do to intermediate points which they served individually and in which the individual railroads had a considerable degree of monopoly power. This value of service rate making then was the purpose of their collusion.

What they found was what all cartels find—the entry of firms into the field. Eventually, though not by 1887, there were seven parallel railroads between Chicago and Omaha. You can look at a map of the American railroad system and see exactly where these cartels were. William Vanderbilt made the observation that there were five fine railroads between Chicago and the east coast with traffic enough for two of them; and that was about right.

The railroads engaged in pooling of traffic or revenue as the case might be, but this was not enough. Their cartels were too unstable. There were a large number of forces for instability. The railroads would break out of the cartels when traffic fell or new railroads entered the field. They engaged in rate wars and, in general, had lower rate levels than they had previously. With the entry of new railroads, quotas were also lowered. So the industry had become impossible to stabilize within the framework of the common law, since the collusive contracts were unenforceable and it had never been established by the courts whether all this was legal, although it was generally thought that it wasn't! Most of the leading figures in the industry such as Albert Fink, the former general manager of the Louisville & Nashville and head of the southern cartel, and especially Charles Francis Adams, the president of Union Pacific, decided what they needed was a federal body to stabilize the railroad cartel by requiring adherence to public rates, by prohibiting the cutting of the Chicago-Omaha rate below the level of the Chicago-Des Moines rates when they got into a rate war, and so on. Mr. Adams was primarily responsible for thinking out what became the Interstate Commerce Commission. He couldn't call it what it was—"The Federal Railroad Cartel"—because it probably would have been declared unconstitutional. So he had to engage in a euphemism. The history of euphemisms is long. It has gone on since before 1887 and it's still going on now. You can't defend the body in its own terms as a cartel. Almost everyone will be opposed to it.

I. C. ACT

The Act Adams got was a very inadequate one, notably the reconciliation between the House and Senate versions resulted in Section 5, which prohibited pooling, which was inconsistent with the rest of the Act. It was designed to stabilize the cartels, but it prohibited the principle device whereby the railroads had been privately trying to do so.

The Act was inadequate in other respects. It didn't restrict entry. It didn't provide any powers for the Commission to set rates, and it didn't provide any controls over nonrail transportation. Water transportation was a pretty good substitute for rail transportation, except that it required horse drayage at the end, which was so inefficient that it was only an adequate substitute because of individual rates.

Congress, between 1903 and 1948, patched up the original law, contrary to the orthdox view which you heard expressed here today. However, the nature of the regulation hasn't changed.

RAILROADS DECLINE

The establishment of a cartel or, as in this case, the improvement of a cartel tended to aacelerate the decline of the railroad industry. It declined rapidly relative to truck and barge transportation, which the noncompetitive character of the railroad industry had tended to stimulate. The new forms of transportation had none of the economies of scale of railroading and were easily capable of competitive organization. However, in the brief wave of revulsion to the market processes of the 1930s, the cartel was extended to the motor carriers in 1935, water carriers in 1940, and the freight forwarders in 1942. The extension was rather ineffective, however, because it was so partial. It created a cartel which comprised all of railroading, usually about a third of trucking, and about 10% of barge transportation. No cartel this partial could be effective and no one is satisfied with it at present.

The defenders of the cartel typically want the cartel expanded to the exempt section. The opponents to the cartel usually want the exempt section preserved, expanded, or made universal. A nonpooling cartel that is this partial is probably the worst organization of industry the human mind can devise! This is certainly true when you consider the other aspects of the ICC. A good cartel would have a central body in place of the ICC which engaged in mathematical computations which would equate the marginal costs to the members or else would provide a market whereby the members could buy and sell quotas between one another. Instead, the ICC has an irrelevant legalistic framework in the nature of a set of lawsuits.

One of the worst aspects of the ICC is that it doesn't know that it is a cartel. If you go up to the various members of the Commission and say, "Are you running a cartel?" they would recoil in horror and say, "Good heavens, we wouldn't do a thing like that, it's illegal to run a cartel. It's terrible!"

The ICC is in a literal sense an organization that doesn't know what it is doing. It's running a cartel and it doesn't admit that it is doing it. It would be better off if it did. It has a very vague verbal definition of authority rather than a directive to engage in some numerical or mathematical calculations. The personnel sit for such short periods that they can't make long-range calculations. They can't worry about what the railroad industry, the barge industry, or the trucking industry will be doing 10 years from now. They have to worry about what ***they'll*** be doing 10 years from now. They behave like everybody else, trying to maximize their utility functions, to use the economist's jargon. They generally try to implement this imperfect cartel conscientiously. The problem is not with them. They

are trying to do something which is basically impossible: to run a cartel of this character effectively.

DECARTELIZE?

All of this is at a very considerable cost to the economy. Nobody knows exactly what it is. It probably costs the economy around $2 billion a year. If you decartelize part of a cartelized industry, the inflow of resources will drive prices down to levels lower than they would have been had there never been a cartel. The ICC typically sets rate levels so that various competing classes of carriers can get some of the business with rate differentials approximately compensating for the difference in quality of service. This results in a lot of excess capacity and freight moving in inappropriate fashions. This is like a $2 billion tax on the economy, which is used for various purposes. For what purposes? To generate some monopoly gain for truckers. Trucking would be an entirely competitive industry. The prices at which trucking companies change hands indicates that they are getting a considerable monopoly gain. They're the principle recipients of this and it's not surprising that they are the principle advocates of the present organization.

BARGES

The barge lines find the umbrella-rate making aspect attractive. The railroads are restricted from cutting rates on bulk commodities, thus barge traffic is protected. The barge operators are equally enthusiastic about the present organization. In addition, they are mainly outside of the cartel. An ideal situation is to be outside of a cartel with everyone else inside. That's the principle reason why cartels are unstable. Any one member would be better off outside. That's why the ICC was established in 1887.

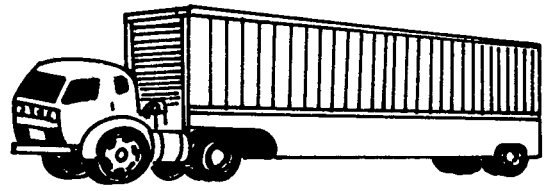
The railroads don't get much out of the ICC anymore. They do get an antitrust exemption which most of them cherish as though it were a bible inherited from a deceased mother. They are the recipients of subsides from uneconomic services, the operation of passenger trains until recently, serving shippers from grain elevators in small towns where they are not permitted to tear up the track, and a wide variety of experts in the present institutional arrangements of the industry who practice before the ICC.

The regulation was never justified and should never have been undertaken. This is not an irrelevant observation. And the previous regulation is no justification for perpetuation. The industry could easily be organized competitively with a saving to the economy of $2 billion a year, and probably more. The railroads operate at 50% of industrial capacity. Regulation clogs the roads with empty truck movements and empty back hauls which the ICC won't allow to be filled.

The principle argument for regulation is that the integral nature of railroad operation makes individual pricing by railroads relatively difficult. This problem, it seems to me, has essentially cleared itself up.

TECHNOLOGY

The technology of the railroad industry is at ***the end of the line***. The industry is ceasing to be workable. The rate of return has sunk below 2%. It's so low that only a massive disinvestment in the industry is practicable, although some aspects of the technology are still worthwhile investments. The industry ought to move to a technology in which everything is containerized and moves by rail, water, and highway. We ought to have competitive integrated transportation companies with an infinite proliferation of independent trucks and barge lines. The industry should be prohibited from collusive pricing. Insofar as there are any remaining monopoly elements, freedom of entry into trucking and barge operation will take care of them. It would be an industry which would present few problems to public policy. We could give up worrying about these things and devote ourselves to antequarian pursuits in universities and make traffic work quite a bit more effectively in the process.



QUESTIONS AND ANSWERS

Q. *Would you identify some of the commodities that are exempt from regulation?*

A. **Mr. Kasper**: It basically revolves around products of agriculture, including livestock. In California, it goes beyond that, due to inaction of the ICC, and involves insecticides, fertilizers, seeds, etc. If a commodity becomes exempt and goes down 20%, immediately every other commodity goes up 10%. The loss of revenue from the exempt commodity has to be made up somewhere else; otherwise, the cost of services is not going to be returned. The same is true of the private carrier. He shows a savings when compared to the average common carrier freight rate, but the common carrier has to increase the rate in order to return his costs. There's no question that when there is an exemption, those people who

don't enjoy the exemption subsidize the party that has that favored position.

A. **Mr. Pfrommer**: The railroads have no such exemption.

A. **Prof. Hilton**: This simply doesn't follow. The fact that something is exempt does not mean that the cartelized rates are higher than they would otherwise be. These companies are endeavoring to maximize. In general, the ICC is helping them to do it. This has always been its purpose. The number of situations in which the rates are held down because of political pressure is relatively low. It's usually the result of farmer pressure. The more important exemptions are not the specific agricultural commodities which you asked about but the general exemption of private carriage. Any utility regulation usually boils down to something much simpler than it is usually thought to be. What regulatory commissions do is generate monopoly gain in one area and dissipate it in uneconomic services in other areas. The local regulatory commission here gives a taxi cab company a monopoly but requires it to respond to phone calls in Eagle Rock, spending $3 to send a taxi cab out to provide a 50¢ trip. In the case of the ICC regulation, this doesn't work very well because the monopoly gain is mainly generated for the trucking companies and bus lines. You can't generate monopoly gain for the regulated carriers very effectively because the people who ship the commodities in which it could be generated have the freedom to engage in private trucking. This is another way of saying the present arrangement isn't workable.

Q. *What would happen if we combined the ICC and the CAB into a super-agency?*

A. **Mr. Pfrommer**: There are too many unequal policies under which the various agencies operate. The CAB for example has certain promotional duties. The ICC has none. I believe that uniformity of promotional policies is desirable. The combination of agencies is really an unanswerable question unless you specify what other changes are going to be made in the substantive law.

A. **Mr. Kasper**: I agree with Mr. Pfrommer. Just to add them together would compound the problem. A man would have to be an expert in three different fields as compared to one, today.

A. **Prof. Hilton**: My guess is that it would probably be better than the present arrangement because ***almost anything*** would be. If the cartel were reorganized, it would probably be a less wasteful cartel. We've surely learned something from the present organization; but it would still be a cartel. In the case of airlines, there are no apparent economies of scale. PSA appears to operate as economically as American Airlines in a technological sense. That regulation was never justified either. The regulation of air that's justified is pricing the use of the airways. Since there are no property rights in the air and airports are operated publically, government does both of these things imperfectly. What you ought to have is a deregulation of air also, and let anybody fly anywhere he desires provided he meets the safety requirements and pays the user charges through the government. The air regulation does exactly what the ICC regulation does; it wastes resources. It's just a comprehensive incentive to fly semi-empty airplanes around the country. In the case of the Federal Maritime Board, we're trying to operate a merchant marine in the absence of any competitive advantage. Our Merchant Marine policy ought to be friendliness with the Norwegians. So I don't question that a super-agency would be better but, better yet, I would want to get rid of all of them.

Q. *What is your opinion of the shippers' attitude toward regulation?*

A. **Mr. Kasper**: They consider the alternatives which have been suggested thus far as more objectionable.

A. **Mr. Pfrommer**: I disagree. The National Industrial Traffic League has expressed itself as being in favor of many of the railroads' lessening of rate regulation proposals.

A. **Prof. Hilton**: It doesn't surprise me that you don't get shipper unanimity. Most shippers would rather have ***certain*** rates, even if they are higher than ***uncertain*** rates, because somebody else may get the advantage of the lower one. This resulted in a lot of shipper pressure for the Act of 1887. Security of expectation can be provided without the present cartelization. It can be provided as it is in the grain markets, for example, by professional speculators in hedging operations. What I am arguing for is an organization of the industry roughly like the tramp steamer market. If you want security of expectation as to a tramp steamer a year hence, you make a contact with someone on the Baltic Exchange in London to provide you with a tramp steamer on the day you want it. The professional speculator takes the risk exactly as one would in a grain market. An organized market should be established to provide containerized transportation of standard sizes and of various types for people who want that type of security in the future. ◻

The Man with the Hoe, Updated

J. R. Cogdell

Bowed by the weight of many semesters he sits
Slide rule in hand, staring at the examination,
A stunned look on his face
And in his mind, confusion and panic.
Who made him dead to understanding and insight,
A thing that neither wonders nor creates,
A formula-memorizer, a brother to the digital computer?
Who led this man to depend on a bell-shapped curve,
Or passed him for correctly listing Kirchoff's laws?
Whose breath blew out the light within this brain?

Is this the product of modern education theories and methods,
That presumably will graduate soon to help this world,
To feed it, to lift its burden of labor,
Transport it, help it communicate better?
All he thinks of is passing a few more exams on partial credit,
And then take the highest offer he gets.
He can't wait to sell back all his books
To buy a tape deck for his Mustang.

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What gulfs between him and the inventor-scientist!
Slave of the fraternity files, what to him
Are the elements of an engineering education?
What the grasp of physics and math,
The feeling for a good approximation?
In this poor soul the entire education system is pictured.
Many years, lectures, quizzes and assignments
Have brought him to this point.

O Educators, at all levels in the system,
From grade school librarians to publish-or-perish professors,
Is this the intended fruit of your labors?
This head full of formulas and memorized example problems?
What can you do to help this boy
To restore his natural curiosity, his desire to create?
What are you doing to try to prevent
The repetition of this scene a generation hence?

O Educators, at every level of the system,
How will the future reckon with this man?
What if engineering slots are few
And only the real engineers survive the layoffs?
Would you drive over the bridge this boy designed
Or want him to teach engineering to your sons and grandsons?

EQUITARIAN CONFERENCE PROCEEDINGS

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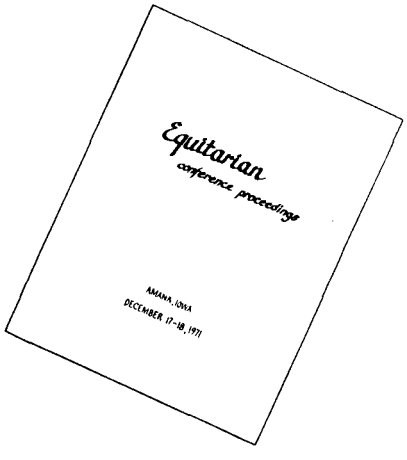

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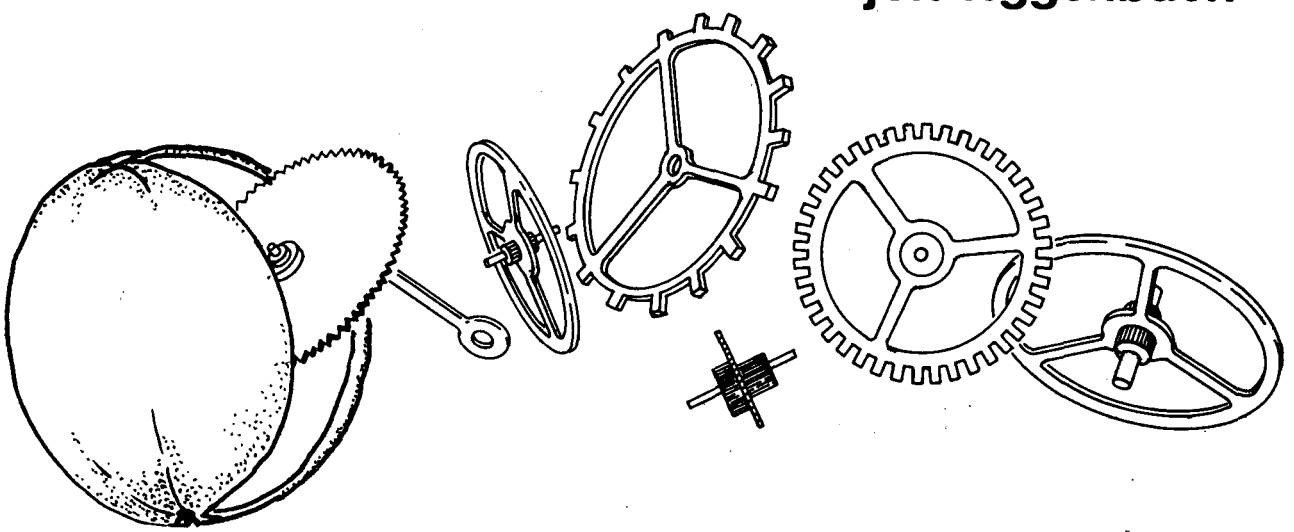
clockwork orange: the knifers and the knifed

jeff riggenbach



With the publication in 1963 of his third novel, *A CLOCKWORK ORANGE*, Anthony Burgess became one of the most widely discussed novelists in the English language; with the release in 1968 of his film, *2001: A SPACE ODYSSEY*, Stanley Kubrick became one of the most widely discussed of American filmmakers; with the release in 1971 of the Stanley Kubrick film version of Anthony Burgess' novel, *A CLOCKWORK ORANGE*, the two figures combined—or perhaps the word is "collided"—in the production of a work about which one of the kindest things that can be said is that it is . . . widely discussed.

A CLOCKWORK ORANGE (the novel) is narrated by Alex, a London teenager living at an unspecified time in the future. He and his gang of three other young hoodlums spend their evenings enjoying "ultra-violence," robbing, raping, beating, torturing, murdering, and making war on other gangs. They do this, not because of their environments or their biological heritages, but because, as Alex puts it, ". . . what I do I do because I like to do." And why do they like it? ". . . thinking," says Alex, "is for the gloopy ones . . . the oomny ones use like inspiration and what Bog sends."[1] His only interest aside from ultra-violence and "the old in-out in-out" is symphonic music; he is particularly fond of the "Ode to Joy" at the conclusion of Beethoven's Ninth Symphony. Clearly such music appeals to him as pure emotion, akin, in its orgiastic anti-intellectuality, to "inspiration and what Bog sends." At one point, a snatch of Beethoven inspires him to stop thinking and start acting (violently) to solve a discipline problem in his gang; at another point, he achieves orgasm while lying in bed, imagining deeds of ultra-violence and listening to the "Ode to Joy."

THINKKILL

Though, in principle, Alex and his droogs[2] are willing to attack anyone, they tend, in practice, to reserve their greatest fury for those gloopy enough to think. On the first night of the novel, they rob, strip, and beat an old man en route from the public library with some rare books under his arm. Their next target is a businessman, their third a writer. Alex, in a moment of levity, reads a line from the unfinished manuscript which he will shortly destroy: "The attempt to impose upon man, a creature of growth and capable of sweetness . . . laws and conditions appropriate to a mechanical creation, against this I raise my sword-pen. . . ." The writer's manuscript is entitled, *A CLOCKWORK ORANGE*.

Ultimately, Alex is convicted of murder and sentenced to a term in prison. While there, he kills a fellow prisoner and earns the opportunity to become the first experimental subject of a new rehabilitative treatment, a treatment which conditions the criminal to abhor the violence in which he had previously indulged himself. The word "conditions" is important here, for Alex is *not* to be *taught* that violence is wrong; indeed, when, in the midst of his treatment, he pleads that "all this dratsing and ultra-violence and killing is wrong wrong and terribly wrong,"[3] that "it's wrong because every veck on earth has the right to live and be happy without being beaten and tolchocked and knifed,"[4] he is informed that he is "not cured yet. . . . Only when your body reacts promptly and violently to violence, as to a snake, without further help from us, only then—." The fact that Alex's confession is a fraud, that he is merely seeking to escape from those he regards as his torturers, is irrelevant in this connection. What the conditioning psychologists are rejecting is not his particular insincerity but any belief in reason as a guide to action. "The heresy of an age of reason," one of them remarks, "I see what is right and approve, but I do what is wrong." And again: "We are not concerned with motive. . . . We are concerned only with cutting down crime."

But Alex recovers. And, though his suicide attempt has placed the government in a bad light, *it* has recovered by reversing his conditioning. "I could viddy myself very clear," Alex declares on the last page of the novel, "running and running on like very light and mysterious nogas, carving the whole litso of the creeching world with my cutthroat britva. . . . I was cured all right."[5]

NO MIND = NO MAN

The object of Burgess' attack is mindlessness; not violence, but the rejection of the mind in favor of the emotions; not behavioral conditioning, but the rejection of the mind in favor of the reflexes. Burgess *is* concerned with motives, and his plea is that only reason, cultivated after the fashion of scholars and writers and applied after the fashion of businessmen, can bring Man to a state of civilization. His plea is, conversely, that a mindless society can *only* be one in which, as Alex puts it, there are "some getting knifed and others doing the knifing."

Clearly, Burgess believes his position to be the *moral* one; the tragedy is that he does *not* believe it to be the *practical* one. He depicts men of the mind caught in a sort of vise between the mindlessness of the teenage gangs and the mindlessness of the government. Thus the writer, who serves as Burgess' foremost example of a man of reason, is first attacked and made a widower by Alex and his droogs and then "put away' by the government as "a writer of subversive literature."

VENGEANCE

Alex is conditioned, made constitutionally incapable of violence, and released. On the outside, he re-encounters his victims of two years before. When visiting the library, he meets the scholar he had attacked and is subjected to a vengeful beating. The fight is stopped by two police, two of Alex's droogs-of-old, who take him to the outskirts of the city and settle old scores of their own. Half-dead, he stumbles for help to the home of the writer. At first he is unrecognized and receives assistance. Later he is found out, and the writer too seeks revenge. Learning that the films used in conditioning Alex against violence have inadvertently conditioned him against the music he had once adored, the writer locks him in a room near the top of a building and plays Beethoven's "Ode to Joy" on a phonograph until, in agony, Alex attempts suicide by jumping from a window. This is, of course, precisely what the writer has planned. It will simultaneously win personal revenge (Alex had raped and murdered the writer's wife) and public exposure of the government's conditioning program for what it really is: the transformation of a man into an automaton, into an organism run like a robot, into a clockwork orange.
to evil, the fact remains that he *distinguishes* between the good and the evil. Alex asks, ". . . this biting of their toenails over what is the *cause* of badness is what turns me into a fine laughing malchick. They don't go into what is the cause of *goodness*, so why of the other shop?"[6] And Burgess answers: the rational is the good; the mindless is the evil.

This is *not* the meaning of the story in Stanley Kubrick's film version.

HATCHET-JOB

For someone who has read the novel, the film treatment of *A CLOCKWORK ORANGE* is an unusually eloquent example of the importance of selectivity in art. Kubrick leaves the major details of Burgess' story as they are, but he so changes certain minor details as to rob the result of any intelligible meaning. His hatchet-job begins with Alex's victims. The scholar on his way from the library becomes a drunken bum in an alley; an old woman who lives alone with her cats and works of art becomes a health nut who lives alone with her cats and such works of art as a sculpted penis and scrotum; the parole officer, who loses his job for his failure to reform Alex, becomes a homosexual; the small businessman vanishes entirely. Burgess' representatives of reason and sanity become Kubrick's representatives of a culture different from Alex's sub-culture but equally decadent. Only the writer remains. And his significance is diluted by the elimination of any reference to his manuscript. One is not told in the film that the writer stands for reason and humanism; one is not told the significance of the title, *A CLOCKWORK ORANGE*. Burgess' portrait of a society in which the forces of reason are destroyed by the forces of mindlessness becomes Kubrick's portrait of a decadent society whose children have learned its lessons too well. Burgess' sharply focussed damnation of anti-intellectuality becomes Kubrick's diffuse nightmare of a society in which everything is wrong and all because of the older generation. Since certain members of the current younger generation are primarily responsible for Kubrick's absurdly inflated reputation as a filmmaker, it is possible that this grotesque distortion of a novel is a cynical play for popular favor. Whatever the explanation, it is merely an explanation; there is no excuse.

In fairness, I should mention that, given its botched screenplay and its meaningless overuse of photographic gimmickry (one sex scene is shot in Keystone-Kops-style fast motion, one fight scene in slow motion), much of Kubrick's film is effective. The acting is uniformly good throughout the picture, and Malcolm MacDowell's performance as Alex is superb, one of the best I've seen on the screen in recent years. It is nonetheless true for having become something of a cliché in those same years that such skillful performers deserve a better vehicle for their art.

NOTES AND REFERENCES

[1] *A CLOCKWORK ORANGE*, which has been rightly called "a linguistic tour de force" (by Geoffrey Aggeler in the *ARIZONA QUARTERLY*, Autumn, 1969), is narrated in "nadsat," the teenage slang of Alex's era. It is far from arbitrary; the precise meaning of every word in its vocabulary may be determined by following clues in the text. Moreover, most of the words' meanings are clear from context. For readers of this review, however, I shall provide definitions for the nadsat words. Gloopy=stupid; Oomny=brainy; Bog=God.

[2] Droogs=friends.

[3] Dratsing=fighting.

[4] Veck=person; Tolchock=to hit or strike.

[5] Viddy=to see; Noga=foot; Litso=face; Creech=to cry out or shriek or scream; Britva=razor.

[6] Malchick=boy. ◻

book review by r. a. childs

IT USUALLY BEGINS WITH AYN RAND

Jerome Tuccille, author of *RADICAL LIBERTARIANISM* and presently editor of the newly formed *OUTLOOK* magazine, has just published his second book, entitled *IT USUALLY BEGINS WITH AYN RAND*. In my view, the book should have never been published.

What is it? Well, it purports to be an overview of the modern libertarian movement, in terms of personalities rather than of ideas. It is told by the ideologically meandering Tuccille in the form of a sort of ideational autobiography, with chapters unfolding roughly chronologically, reflecting Tuccille's changing moods and positions. A number of prominent libertarians—such as Jarret Wollstein and Murray Rothbard—have recommended the book, saying that the issue of whether one will enjoy it is dependent upon one's sense of humor. I would like to challenge this. My opinion is that the issue in reading this book, and recommending it, is *not* whether you have a sense of humor, but whether you take ideas—and the libertarian movement—seriously. I do; Tuccille, judging from this book, does not.

OVERVIEW

Let's look at the book as an overview of the movement. Suppose that you were on the outside of the movement and this book were handed to you. What would you then think of libertarianism? Since the book presents *only* the most eccentric aspects of the libertarian ideology, it cannot possibly be understood by anyone not having the context. It shows only the most unbalanced portraits of key libertarian personalities and the kookiest of fictional and semifictional events, so that one cannot possibly come away from this book without thinking that, well, libertarianism is obviously a movement composed of lunatics and fools—or worse. Then you would go on to regard libertarians with as much respect as you would the Jesus freaks who accost you on every street corner today.

This is the issue, then: the book presents a portrait of the libertarian movement as unflattering as possible. And worse: it isn't even factual. In particular, I take issue with the treatments of three people whom I hold in very high esteem: Ayn Rand, Murray Rothbard, and Nathaniel Branden. It makes all three seem like simpletons and fools. The portraits of Rand and Branden are caricatures of reality and are really very vicious. Rothbard's person permeates the book and the book, as one non-admirer of Rothbard has said, "makes Murray look like an ass."

Now if libertarianism were just another fad then my response might be to just set the book down and ignore it. But libertarianism and its success really are matters of life and death, issues of the most supreme importance. Even if the portraits and events in the book were true—which they aren't, at least not as they stand—there would still be the question: why write such a book?

What possible function could such a book fulfill? Suppose that someone in the Abolitionist movement of the last century had written such a book, ridiculing William Lloyd Garrision and all the other intellectual leaders. Who would have profitted from such a work? Sure, the book might have been good for a few laughs, so why not privately circulate the manuscript? But to *publish* such a thing, picturing the only sane movement around, dedicated to achieving human liberty, as a movement of idiots and crackpots, is to undercut the seriousness which any issue of life and death requires in order to be taken seriously, i.e., in order to win, to achieve victory.

THE HISTORY

Let us look at the book in its historical context, for a moment. The book is a series of episodes concerning the libertarian movement, dating roughly from the mid-50s, with the publication of Rand's *ATLAS SHRUGGED*. The two main characters are Ayn Rand and Murray Rothbard. Now it is my honest opinion that when the dust of history settles, these two will shine out as the major figures of the libertarian renaissance. They will be seen as the leaders of the libertarian ideology and movement and will have no close competitors. Certainly none of the younger libertarians can match them or can expect to in the next several decades. Robert LeFevre has, I believe, about reached his peak, and his influence will fade, largely because of the increasingly successful attacks on his position by Objectivists and Rothbardians, and because of his lack of any apparent followers who are actively writing in defense of autarchy—LeFevre's position. Andrew Galambos will most probably continue to grow in intellectual influence, and then publish his projected treatise in a few years. What will happen then is simply that Galambos's theories will at long last come out into the open and will become open to attack—attacks which I think will be successful, and detract from Galambos and his disciples. Leonard Read reached his peak 20 years ago in influence. Mises never was a major figure in terms of active following, and most of his influence from here on in will, I believe, be because of his disciples with different frames of reference. Nathaniel Branden has already made most of the contributions, both intellectually and organizationally, that he will make to *libertarianism* proper, I think, having pretty much settled down to the field of psychology. If anything, it is Branden's possible future successes as a *novelist* that may serve to help popularize libertarianism, should he ever choose a political theme. The Tannehills have made their impact with *THE MARKET FOR LIBERTY*. And there are no competitors who are near, from here on out, to matching Rand or Rothbard.

Now my major complaint is that *IT USUALLY BEGINS WITH AYN RAND*

ridicules both of them, makes them look like fools, which they are not, and exaggerates, by means of caricatures, admittedly eccentric aspects of their personalities. And things are made even worse because the events of their lives and interactions are distorted by Tuccille. But I suppose that we are really too close, perhaps, to these two to see clearly the nature of *IT USUALLY BEGINS WITH AYN RAND*. Suppose, though, that we were to read today a book which made boobs of Thomas Jefferson and Tom Paine. We would, I should hope, react with resentment and hostility, exclaiming that the author was utterly incapable of distinguishing between the essential and the nonessential and has performed a malicious task in ridiculing these two towering giants of the centuries-long struggle for liberty.

IDEAS

Substantively, Tuccille does not treat the ideas of the libertarians portrayed with any respect. I disagree with certain aspects, for instance, of Objectivism, but I think that it is to be treated with respect. Tuccille finds it funny that Objectivism attempts to offer a comprehensive world-view and has a position on everything from literature to politics to sex. But all that this means is that the philosophy seeks to *integrate* human knowledge. And the only alternative to this sort of integration is, of course, *dis integration*. Why is that better?

Since we are talking about the history of the libertarian movement, I remember my first meeting with Tuccille. It was at a YAF conference in New York City. Tuccille was on a panel with Karl Hess, Henry Paolucci, and Frank Meyer, and at one point rose before the conference of young conservatives and pronounced, with low-keyed self-righteousness, that in his opinion Ayn Rand was the greatest philosopher in western civilization. I personally doubt Jerry's capacity to judge such issues. But the point here is that Jerome Tuccille has come full circle: from Rand-adoration to Rand-villification and ridicule. The dichotomy is a false and unnecessary one. And, I want to throw a little skepticism on Tuccille's portrait of himself, as the ever-questioning, independent inquirer after truth. Ridiculing technical philosophy and epistemology, he wouldn't know it if it bit him in the leg!

But it has become "safe" today for libertarians to attack Rand, so Tuccille is not alone. I would like to interject here a bit of objectivity concerning Rand. I do not think that Rand is the most brilliant philosopher of all time, though she is undoubtedly a genius. Rand has about half of what would be required for her to be a great philosopher, given her published works: brilliant insights in every field. But what is missing is the attempt painstakingly and rigorously to validate these insights by means of sustained and systematic reasoning in technical philosophic treatises. Tuccille makes this genius look like an ass. Is there any discussion of the merits of Rand's ideas? No, only misrepresentation and ridicule. Jerry would respond that it is not the purpose of his book to discuss the merits of anyone's ideas. And that is precisely my point. But I would like to take issue with the new breed of parasitism that Tuccille is in small measure symbolic of, which consists of people who were virtually awakened by Rand's novels and other work to a whole new world. After worshipping Rand for some length of time, these people generally read something else, and although they still have not accomplished anything on their own, they discover, miracle of miracles, that Rand did *not*, as they had once (mistakenly and ignorantly) thought, discover that A is A, or that the free market is good for man, and that therefore Rand can be dismissed and attacked because of her alleged errors. But all of this simply drops the context of what Rand has accomplished with her work.

But if Tuccille's treatment of Rand reflects this change in the libertarian atmosphere, his treatment of Rothbard is somewhat hard to understand, for Tuccille is obviously an admirer of Rothbard. Yet he portrays this man—whom I respect and admire enormously—as a fool. Now the simple fact is that Tuccille minus Rand and Rothbard equals a great deal less than the sum Tuccille is today. Without them both, Tuccille's grasp of reality—political or otherwise—would be somewhat less acute than it is today.

IT USUALLY BEGINS WITH AYN RAND is a real disappointment. Jerome Tuccille has the knowledge and ability to write the modern quasi-fictional equivalent of John Henry Mackay's masterpiece, *THE ANARCHISTS*, an account of the anarchist movement at the close of the 19th century in Britain. But *that* book is *idea* centered, and pictures key anarchist figures arguing with each other over basic issues, thus showing the conflicts and differing positions. And this is sorely needed now—a roadmap through the libertarian movement. Instead we have a series of uncoordinated events which leave one with a vague feeling of libertarianism, with dozens of factual inaccuracies, of everything from the relationship and break between Rand and Rothbard in the late 50s to the libertarian conference in New York City in 1969 which Jerry mistakenly says was sponsored by the RLA.

Such a book could have been good. I am sorry that *this* book has been written. It is really a waste of time. ◻

RENASCENCE--THOUGHTS OF A MAN BEING BORN

Because I did not hope to turn toward life
To find my answers or to satisfy
Incomplete dreams: I remembered too late
The things life had given me and forgot
Too soon the things taken away.
Sometimes I would hear Agamemnon crying:

His daughter burning for the gods;
Cassandra saying, "It could not be otherwise."
Because I did not hope to turn toward life
And waited for my life to turn toward me,
I could not see the death I lived.
The flames rise high, but cannot touch my funeral pyre,
Until the surge of life destroys the fate
That molded my death with cunning innocence.
My innocence was the key and I will burn for gods no more.
Because I did not hope to turn toward life
And waited for my life to turn toward me:
How could I hope to live?

P.A. Santy

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-- "A beauty. Having it appropriately framed." -- Northern California businessman.

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Byron Callas

Byron Callas
President

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Henry D. Thoreau

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EDITORIAL

REASON AND AMERICAN FOREIGN POLICY

The last month, like those before, was rich with events reflecting the irrationalities and horrors of statism in the United States and abroad. President Nixon's continuation of the Viet Nam war is just one example illustrating this – more so, perhaps, in the light of his recent and very confusing visit to Red China. Another less widely noticed and less spectacular case in point is the U.S. Immigration and Naturalization Service's decision to deport singer/composer John Lennon on grounds of his criminal record, namely his conviction in 1968 of possession of marijuana. This happened in Great Britain, where incidentally the officer who arrested Lennon has since been dismissed on grounds of having planted grass on his victims. The Viet Nam mess and Lennon's difficulties with the law show very well the stupendous and monstrous confusion of American foreign policy.

We are told that the United States government is fighting against communism in Viet Nam. Very often that fight is justified on the grounds that it aims ultimately to protect the principles of freedom and individual rights in the "free" world, principles threatened by the enemy in Southeast Asia.

The implementation of these principles – without which the idea of protecting them must be a hoax – would mean the repeal of laws which violate individual rights. Mr. Lennon's deportation and past conviction are thus the manifestation of the very same kind of actions against which our involvement in Viet Nam is supposedly directed. In fact, then, the sacrifice of thousands of forced (military) laborers, conscripts, operates to violate rather than to protect freedom and individual rights. The emerging picture is bizarre! Any sensible person ought to recognize the injustice of what is happening to Mr. Lennon, not to mention the irrationality of our Viet Nam policy. And everyone ought to do his own to foster some sense for America's foreign policy lest we be utterly destroyed by the unchecked insanity of Nixon and his superstate.

The aim of one's objection need not be Nixon's recent decision to mine North Viet Nam's harbors. That move may not be in everyone's capacity to evaluate rationally, since few of us are versed in military strategy, 1972 style. It is easily imaginable that a just war would involve the mining of the enemy's harbors. And citizens' attacks on specifically military decisions have frequently been ignored by citing the privilege of expertise, special access to enemy secrets, and similar evasions. To be effective, protests must be based on principles.

What we need is to utilize these instances of policy announcement and the incoherent, knee-jerk reactions to them by most people, for purposes of fostering a recognition of the overall immorality of our Viet Nam involvement. Clearly this involvement cannot be criticized on the standard left-wing grounds that the U.S. is stymieing the legitimate, honorable goals of a country of free people (North Viet Nam). Nor, however, can the spokesmen of the American state defend their actions by reference to "our responsibility to carry out an obligation or promise"which, if it ever existed, was ill conceived, presumptious, and impermissible for any government to assume (since it violates by implication the individual rights of those made to serve and fund the military operations involved).

The Viet Nam involvement must be criticized as an instance of the overall irrationality of our foreign policy. A quick glance at the way the U.S. government behaves vis-a-vis the governments and people of other cultures provides one with sufficient knowledge of that fact.

TIBOR R. MACHAN

THE FIRE BRINGER

AN EDITORIAL NEWSMAGAZINE
politics, economics, ethics
enjoyment

one of a kind---and fun

Editor:Myrna Culbreath
Managing Ed.:Eric Westling
Copy Editor: Jean Westling

It's tough to get across in a short ad just how different **The Fire Bringer** is.

We can't show you our photo essays or even our poems or the writing style of half a dozen of our regular writers. If we could, we think you'd see for yourself that there's a whole different standard of selection, of editing, of writing, of thinking -- perhaps a whole different style of mind than you have seen in other libertarian or Objectivist publications (or **any** publications).

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All the articles are well thought out and excellently written. I find the Fire Bringer a refreshing breeze that could blow away much of the mind pollution of our area and, I hope, other areas as well.
Rufus Porter, Columnist
Gazette Telegraph

Your paper deserves as much praise as I can give it and is worth much more than the $5 subscription price.

I have certainly enjoyed the recent issues of the Fire Bringer--it's a first rate publication.

Dear Myrna:

The Fire Bringer is very well done. The quality of the articles is excellent. I judge that your paper is the best on the market at this point. I receive most of the other publications such as, "The Freeman," etc. and none of them equals your first issue.

Sumner Dodge

I'm very pleased with the quality of your paper--staff, ideas and writing--and I enthusiastically enclose my $5 subscription price. Also, I intend to spend several minutes this week telling my listeners of your paper and reading from it.

Laissez Faire,
Karl J. Bray
Libertarian communicator on talk station KSXX in Salt Lake City

DON'T MISS THE "STAR TREK" ISSUE

Letters from Gene Roddenberry, pictures, articles, S-F reviews, etc.

Dear Miss Culbreath,

Several articles in your December issue indicate you and your staff are capable of excellent thinking of your own. I thought Jim Millard's "'Ace' is Low " showed an outstanding grasp of the horror caused by society's inversion of values. Eric Westling's "Major U.S. Depression Predicted" and your own "Easy Rider" showed some of the freshest thinking combined with capable writing present in any professional publication in the country today.

P.V.W.

I spent an interesting and somewhat nervous hour with the copies of your newspapers. Nervous because of the article "Major U.S. Depression Predicted." Also, to be honest, I vary between regarding businessmen as sabre-tooth tigers and Builders of America. This usually depends on the status of my continuing fight with several studios over the difference between their gross and my net profits and my continued assertion (unique in this industry) that theft with a calculating machine is no less theft than that with a gun.

Gene Roddenberry
(Creator and Producer of Star Trek, quoted by permission.)

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trends

THE HIGH (POLITICAL) COST OF FOOD

The hypocrisy of the federal government's attempts to keep prices down has been highlighted by recent developments in the food and dairy industries. Although fresh food prices are *not* covered by Phase II controls, the Administration has been verbally harassing food retailers to hold down prices, blaming soaring food bills on retailers' greed and/or various unnamed middlemen. Yet as a recent *TIME* analysis pointed out, the federal government itself is the biggest contributor to these increases, due to a $1 billion increase in farm subsidies this year—from $3.3 billion to $4.3 billion! These subsidies cost the consumer doubly: initially in higher taxes and secondly in the higher prices caused by reduced crop production due to the subsidy program.

A further example of government duplicity was pointed out recently by a consumer group headed by Ralph Nader. The group filed suit in the U.S. District Court in Washington to overturn the federal government's 6% increase in the support price for milk. On 25 March 1971 the Agriculture Department raised the price it guarantees to milk producers from $4.66 to $4.93 per hundredweight (meaning that if the farmer cannot get $4.93 on the open market, the government will buy it from him at that price). It is estimated that this increase is costing the taxpayers $126 million per year in additional taxes, *plus* retail milk prices an average of 4% higher than before.

The chronology of this increase bears examination. As pointed out by the class-action suit, when the milk lobby first proposed an increase in the support price, then-Secretary of Agriculture Hardin ruled against it on 11 March 1971, whereupon 13 Senators and 47 House members who had received $186,000 in campaign contributions from the milk lobby introduced legislation to overturn Hardin's decision! Included in this list were such "consumer-champion" and price-control advocates as Hubert Humphrey ($15,625 contribution), Edmund Muskie ($3,936), and William Proxmire ($9,000). Before the bill could be acted on, the dairy lobby contributed $322,500 to four Republican campaign committees on 22 and 24 March and held an intensive briefing with Nixon and Hardin on 23 March. On 25 March, Secretary Hardin announced that the increase would be granted after all. The Nader suit represents a healthy new development in consumerism.

Meanwhile, genuine action to hold down milk prices has been occurring at the retail level in a number of states. A cooperative in Pittsburgh—the United Dairy Farmers Co-operative Association—is challenging the Pennsylvania Milk Commission's retail milk price-fixing policies by selling milk for $.09 a gallon less than the "legal" price. A three-judge federal court in Philadelphia has ruled the co-op illegal, but the group is taking its case to the Supreme Court. E. N. Hayes, president of UDFCA, argues that it is not the co-op that is wrong: *"We're not breaking the law . . . the Commission is interfering with free enterprise and restricting trade."*

Hayes also points out that under the co-op's free market policies, the 235 member farmers today are getting $.13 per quart, compared with $.08 per quart in 1963, before the co-op was organized. Neighboring states—including Ohio, New Jersey, New York, and West Virginia—have had their milk price control boards declared unconstitutional. At a time when federal policy is allegedly aimed at helping consumers, it will be interesting to see how the Supreme Court views UDFCA.

SOURCES:

"The Sprouting Farm Issue," *TIME*, 24 April 1972, pp. 20-25.

"Nader Files Suit to Overturn U.S. Increase in Milk Support," Associated Press, 25 January 1972.

"The Mother's Milk of Politics," Editorial, *LOS ANGELES TIMES*, 30 January 1972.

"Milk Co-op Battles Control of Prices," UPI, 10 November 1971.

A REAL-LIFE HARRAD EXPERIMENT

Many readers of Robert Rimmer's novel *THE HARRAD EXPERIMENT* [see our interview with Rimmer, "The Future of Marriage," in *REASON*, December 1971] were disappointed to learn that no real Harrad College existed. Despite numerous coeducational dormitory experiments, no college administration dared experiment with sexually desegregated roommate selection. All that may well be changed by an experiment recently conducted at the University of Michigan. Under tacit University approval, a cooperative off-campus residence called Xanada house conducted a two-week long experiment in which 29 students shared rooms with members of the opposite sex. The students ranged in age from 18 to 22; 17 were men and 12 were women (some rooms were shared by two men and a woman). The purpose of the experiment was not to "break down moral standards," as detractors might allege. Rather, as one student participant put it, "We're just normal people trying to learn how to live with members of the opposite sex."

SOURCE:

"Students in 2-week Room-Sharing Test," UPI, 27 February 1972.

TEACHERS TAKE THE INITIATIVE

In contrast to thousands of petulant aerospace workers, who seem to view their unemployment as a claim against the taxpayers, a group of out-of-work teachers in the San Francisco area has set an exciting example. According to a spokesman for the Organization of Unemployed Teachers (OUT), the group plans "to encourage [unemployed] teachers to create their own education projects, rather than sit around and wait for the system to enslave them and force them to participate in miseducative procedures." 310 jobless teachers attended the organizational meeting last November. Among the 21 projects considered at that meeting, a number are already under way. These include the creation of new model learning environments, providing a network of education resources and teacher centers, campaigning for the voucher system [see "The Case For Education Vouchers," *REASON*, April/May 1971], educating prisoners in city and county jails, developing industrial education projects, and setting up a job clearinghouse and newsletter. OUT hopes to expand to the rest of California and the US, to serve as a catalyst for developing alternatives to the public schools. The group may be reached at 300 E. Santa Inez Avenue, San Mateo, California 94401.

SOURCE:

NEW SCHOOLS EXCHANGE NEWSLETTER, Issue No.67, 1 December 1971.

PROGRESS REPORT: VICTIMLESS CRIMES

Recent months have seen new developments toward strengthening the protection of an individual's right to do as one pleases with one's own body. A three-judge federal court in New Jersey held that the state's antiabortion law was unconstitutional. In its decision the court stated: *"We hold that a woman has a constitutional right of privacy under the 9th and 14th Amendments to determine for herself whether to bear a child."* The decision, which left New Jersey with no law against abortions was especially significant in that it is the most clearly libertarian abortion decision to date and further extends the recent trend toward utilizing the long-ignored Ninth Amendment in defense of individual rights not specifically named in the Constitution. Meanwhile, the very liberal 1970 New York abortion law has withstood a challenge brought by a Roman Catholic law professor. The Appellate Division Panel in Brooklyn ruled 4-1 that an unborn child cannot be considered a legal person with right to life under the Fifth Amendment. Together these two decisions, if upheld by the Supreme Court, should spell the doom of all remaining repressive antiabortion laws.

In Oregon, the legislature has adopted a new criminal code which eliminates public drunkenness as a crime and removes penalties for private sexual conduct between consenting adults. Whereupon the Democratic Party, at its pre-primary convention, adopted a platform calling for legalization of prostitution and repeal of all remaining antisex laws, legalization of marijuana (and amnesty for those now serving time), full equality for homosexuals, and amnesty and commendation for draft evaders. Democratic leaders promised to introduced each plank of the platform in the 1973 legislature.

Finally, progress of a sort is occurring in Texas. Although the average time served for homicide is less than six years in Texas, sentences for drug offenses are often *unbelievable*. Black militant Lee Otis Johnson was recently given 30 years for passing a joint to a narcotics agent; several Mexican-Americans are now serving 1500- to 1800-year terms for selling heroin. Large numbers of white, middleclass youths are serving 10-year sentences for simple marijuana possession. Recently, however, Dr. George Beto, director of the Texas Department of Corrections, pointed out that Texas has become "the laughingstock of the U.S. because of its long sentences for drug possession." Beto says he has changed his mind about the victimless crime laws, which "confuse sins with felonies." He questions whether "the state should concern itself with fundamentally moral issues" and urges that the law distinguish between different drugs. "An increasing number of middleclass marijuana offenders are not convinced they have done anything wrong . . . They don't propose to change their manner of living when they get out. And to think we can change them (in prison) is a vain hope," Beto said.

SOURCE:

"Abortion Laws Struck Down," UPI, 2 March 1972.

"Crime Control Briefs—New York," *CRIME CONTROL DIGEST*, February 1972, p. 7.

"News Items—Oregon," *CRIMINAL JUSTICE NEWSLETTER*, 31 January 1972, p. 19.

"Demos Adopt Controversial Rights Platform," UPI, 10 April 1972.

"The Agitator," *TIME*, 13 March 1972, p. 50.

"Drug Laws in Texas Scored by Prison Chief," *LOS ANGELES TIMES*, 14 April 1972, p. 32.

publisher's notes

• **ISSUE DATE:** You will notice that this issue is dated June/July, even though it is still only Volume 4, Number 3. We have merely shifted our publishing schedule one month; this will make it more feasible to have *REASON* distributed on newsstands, since there will be more lead time. Subscribers will still receive the same number of issues they originally paid for, and subscriber expiration codes (as on the address label) will remain the same. Only the month, not the volume and issue number, will change. Thus, if your expiration code is 4-7, your subscription will now expire with the November 1972 issue, rather than the October issue.

• **KLAUSNER BECOMES REASON EDITOR:** In accordance with Reason's policy of rotating its editorship among its associate editors, Manuel Klausner steps up to the post of Editor, with Robert Poole joining Tibor Machan as associate editor. No change in policy is signified by the editorial shift.

• **ATLAS SHRUGGED TO BE FILMED:** Producer Al Ruddy, whose last production was "The Godfather," has acquired motion picture rights to Ayn Rand's epic novel, *ATLAS SHRUGGED*. Ruddy's film adaptation is scheduled for release in Christmas of 1973.

• **NEW BOOK OF INTEREST:** Harper and Row has just released a new paperback entitled *OUTSIDE LOOKING IN: CRITIQUES OF AMERICAN POLICIES AND INSTITUTIONS, LEFT AND RIGHT*. Four of the 23 articles in the book are by libertarians, three of them *REASON* editors. Associate editors Robert Poole and Tibor Machan, and contributing editor Rod Manis each have articles in the book, along with well-known libertarian economist Murray Rothbard and such other notable figures as Hans J. Morgenthau, Peter Viereck, Ernest Van den Haag, and Edward Banfield.

• **LIBERTARIANS ON THE AIR:** Two libertarian groups continue to be active in obtaining time on radio and television to air their views. In Los Angeles, Libertarian Alternative began a regular weekly half-hour radio program on KPFK-FM (90.7 MHz.) in April. The group's president Charles Barr appeared in a reply to a KNBC-TV editorial on 9 March. He spoke in favor of amnesty for draft evaders who have left the country. In Boston the New Right Coalition broadcast an editorial reply on WBZ radio and television early in March. NRC's reply was in opposition to a proposed Massachusetts graduated income tax and was broadcast by national chairman Donald A. Feder of Boston University Law School.

• **FREE-MARKET POSTAGE STAMPS:** Libertarian entrepreneur Richard King is giving the British postal monopoly fits with his successful private postal service. Called Poste Haste, the enterprise is taking advantage of a loophole in the British

postal law which allows "messengers-on-purpose" (i.e., persons employed by the message-sender) legally to deliver mail. Hence Poste Haste has no employees—it is a cooperative of like-minded people who are employed by the companies for whom they deliver. Poste Haste has received excellent publicity in British newspapers, especially for its stamps which chronicle the history of government attempts to stamp out postal competition. Americans wishing to support this effort may wish to purchase a selection of Poste Haste stamps (which may one day have great value to collectors!). Any amount of $1.00 or more will bring you an assortment of the stamps. Write Richard King, 130a Ashley Gardens, Westminster, S.W. 1 London, U.K.

letters

POUL DOWN ON WOMEN?

I greatly enjoyed the article on Poul Anderson who is one of my favorite writers. But he has a serious flaw your writer did not—perhaps could not—discover.

Thirty years ago, *ASTOUNDING SCIENCE FICTION* published a story in which we refused to join a galactic empire. Our reasons were that any culture, to survive, needed more than one viewpoint; the hero drew the analogy of binocular vision as opposed to monocular. He also stated that having two sexes in a race helped provide it with that sort of binocular vision. Then let me be your reviewer's other eye!

Sexually, Van Rijn is a total jerk, and Flandry is not far behind him. Van Rijn's whores, whose names he cannot often remember, are not the mark of a real, red-blooded man of action but of a child. Perhaps he also has a dull, dowdy Mevrouw Van Rijn at home who keeps his house, raises his heirs, and bores him sick. Perhaps not; we may never know. But it is impossible, as Anderson has written him, to imagine Van Rijn in a serious affair with a woman of character and ability. One gets the impression that either he never met one or that he would not be attracted to her if he did. (Yes, I read "The Man Who Counts." My opinion still stands.) I understand very well that in some circles it is considered manly not to concern oneself with such trivialities as women, beyond the shape of their boobs, but this is still a flaw in the hero and not a virtue.

Flandry is almost as bad. When he admires and respects the heroine ("Hunters of the Sky Cave"), he does not sleep with her, even at her own invitation; he does, however, lay a bet with a buddy on winning a noblewoman's favors. He feels vaguely guilty about the slave status of one of his women; but he finds nothing wrong in the fact that he took—for a bad joke—a girl away from his Admiral, that she later went wild and died. The girl was a trophy, a conquest, nothing more; what matters to Flandry is how it shaped his relations with the Admiral afterwards. She could as easily have been a horse.

Anderson's attitude towards women seems to be one that is common among the older generation of career women: there are three sexes; men, whores (or chicks or broads), and female people. The whores are objects to be used; the female people can easily, if care is not taken, fall into that category. Men do the using.

Because Anderson has all the virtues your reviewer mentioned and because his heroines are fine people, this one flaw is all the more glaring.

Patricia Anne Mathews
Albuquerque, New Mexico

PACIFISM AND LEFEVRE

Although I think libertarians should avoid name-calling and although, in some matters, I even prefer Robert LeFevre's approach to the one taken by many other libertarians, it has to be said that his kind of pacifism (accepting protection but not retaliation) is simply ridiculous. This becomes especially clear if we take not theft but murder as an example. Indeed, short of threatening retaliation by our friends, relatives, or defense agency, I cannot see what to do in order not to be murdered except running around armoured or hiring five bodyguards to accompany us wherever we go and jump before us whenever somebody casually reaches for his pocket.

A more serious point to make, however, is that Mr. LeFevre's position is either self-contradictory or totally void of content. Indeed, if, despite his disapproval, we used retaliatory violence anyway, what would Mr. LeFevre do or what would he advise the criminal to do? Retaliating against *us* would clearly contradict his own position. So, in addition to advising the criminal to protect himself against our retaliation (something he will be clever enough to do without Mr. LeFevre's advice), the only thing Mr. LeFevre can do is *wish* that we would not use retaliatory violence, just as he probably *wished* that the criminal didn't use initiatory violence against us. Mr. LeFevre's wishes are, of course, his private domain, but they do not, as far as I can see, constitute valuable libertarian philosophy.

Guy de Maertelaere
Ghent, Belgium

ANTITRUST AND COMPETITION

D. T. Armentano's treatment of capitalism and antitrust ("The Great Electrical Equipment Conspiracy," *REASON*, March 1972) is the usual approach to the subject that defenders of laissez-faire capitalism use. He first establishes the irrationality of antitrust, then goes into a discussion of antitrust case histories and shows that the historical facts of each case do not support the governmental charges of antitrust, i.e., monopolistic behavior resulting in the elimination of competition. Some writers even present a rational argument for the possible existence of a monopoly in a capitalistic economic system brought about by the workings of the free market place. He concludes his argument with the usual capitalistic statement, "To end the 'monopoly problem' in America, end *all* government involvement in economic affairs, including antitrust." This approach to this vital issue has gotten us nowhere, and I feel it will continue to get nowhere because it is nonsensical as I will show.

Talk about economics in the 1800s and the early 1900s is something which few of us can relate to. Talk about the economic situation in the 1960s and 1970s I feel everyone can relate to. Therefore, Fact I is that competition is diminishing in America. I don't see how anyone could dispute this fact. Being in industry and in the financial community, I see competition slowly vanishing every day. Therefore, Fact II is that there should be antitrust laws, i.e., laws which protect competition or which *protect the opportunity to compete*. To present arguments against antitrust is therefore nonsensical when we live in an environ-

ment in which competition is diminishing. True, antitrust in a capitalistic economic system is irrational; it is even irrational at a given point in time in any economic system where pricing determines allocation of resources, as was shown. To argue about the irrationality of antitrust when competition is decreasing is like putting the cart before the horse.

We must first define what government involvement is causing the "monopoly problem" in America and then only in this context can we discuss the antitrust case histories. We can talk about restricting companies from using the government as a marketing channel and we can talk about restricting government from being the licensee of business, but this is not enough. Unless taxation of the corporation is eliminated altogether, you will not have an economic system which breeds competition.

We are currently going through the cereal antitrust fiasco and if government does not find an antitrust law to prove its case, then it will invent one. This is nothing more than attacking the problem (the cart) and doing nothing about the cause (the horse). The question to be asked is, is there healthy competition in the cereal industry, and, if not, why not? Suppose an individual wanted to put a breakfast cereal on the market and compete within the cereal industry. Let's say the individual has $20 million to invest in this venture and that the $20 million is all the money the individual has. I feel that we would all agree that this situation would be an example of healthy competition, i.e., the existence of a challenger, an adversary, even if the market place does not warrant the challenge. But why don't we see this type of competition taking place except on a smaller and smaller scale? I suggest the primary reason to be the following: the individual through conditioning will be psychologically restrained because of the risks involved, i.e., if he loses, he loses all his money, whereas if a cereal manufacturer budgets $20 million for a new breakfast cereal and loses, the cereal manufacturer is subsidized $10 million by government through the payment of less taxes on the profitable portion of its business. The $10 million subsidy will be at the expense of the average worker or successful individual. A further deterrent to the individual is the fact that the cereal manufacturer will pay less in dividends solely due to double taxation, thus leaving more money to be spent by the cereal manufacturer for new ventures. I ask, how can an individual in the long run compete, even if he is efficient, against a corporation?

Our tax structure leads directly to large conglomerate corporations, and the government by bringing antitrust suits is doing nothing more than trying to correct a situation it brought about through a prior interference. Is this wrong other than the fact they are not doing anything about the cause? I feel a mathematical model analysis of our tax structure would prove this out. If you can prove to me that the situation and circumstances of an antitrust suit brought by the government against a firm was not caused by some prior interference (tax laws, etc.) then I will accept the irrationality of the antitrust suit. To do less I feel is not an objective view of the problem of antitrust and will not further free enterprise.

Any system which by its very nature excludes the smallest element, i.e., the individual, from ever competing or which does not penalize management for incompetency is unhealthy. How many mergers would not have taken place if there were not a corporate tax? (Montgomery Wards and Container Corp. of America, North American and Rockwell, American Motors and who knows what all, etc.) Therefore, we need antitrust laws (do not tax the corporation, etc.), and we must change our approach to the antitrust problem if free enterprise is to ever return.

William T. Dawson
Monroeville, Penn.

APPLAUSE

Congratulations on your March issue. I was beginning to think *REASON* was going downhill fast, especially since the LeFevre article, but your refutations of anarchism and the article on antitrust restored my confidence. The attack on anarchism should be applauded as *courageous*, considering the popularity of that aberrant form of libertarianism in the movement for individual liberty.

Anthony Conte
Revere, Mass.

MORE APPLAUSE

My heartiest congratulations and thanks for the "special supplement on Anarcho-Capitalism." The articles were all excellent and long overdue.

Bill Westmiller
Barrie, Ontario
Canada

REFUTATION?

Even though I am not an anarchist myself, I was not convinced by your "refutation" of the anarcho-capitalist position. I feel that you have tried to put one over on your readers.

First you printed an article by an anarcho-capitalist, and next month you trotted out four (count 'em) writers to refute the anarchist position. This seems a bit one-sided to me, especially since no anarcho-capitalist appeared to defend his position after your men had attacked it.

Charles Barr's article I felt to be especially unfair. The author stated that the chapter of Rothbard's book which he was criticizing was only six pages long. Now, if he had hoped to make any kind of believable refutation of the anarchist position, he should have chosen a stronger argument than Rothbard's must have been. In fact, such an argument is easy to find, for immediately following Barr's article was an ad for "Rational Anarchy" (115 pages!). Now, did Mr. Barr feel unable to deal with the arguments of an entire book devoted to anarchism, or did he really think that Rothbard had done everything possible (in six pages, mind you) to set forth the anarchist position? It seems to me that he set Rothbard's chapter up as the most easily knocked-down straw man he could find.

Dennis Dibben

RATIONAL ANARCHY

We read your special supplement on "anarcho-capitalism" (*REASON*, March 1972) with great interest.

While Kuffel, Heiner, and Barr may consider Professor Murray Rothbard a leading spokesman for "anarcho-capitalism," we do not consider him to be a consistent anarchist, if indeed an anarchist at all! Charles Barr correctly pointed out some of Rothbard's more obvious contradictions; e.g., his erroneous concept of a "basic legal code" without a government. However, Rothbard's error does not mean that the concept of "no-government" is wrong.

James Kuffel asks, "Is there no alternative to government by expropriation except anarchy?" and ". . . voluntary support [of government] should at least be recognized as an alternative." Does he seriously believe that those of us who are rational anarchists have not considered such an alternative? We have most certainly considered it and *discarded* the idea because of the inherent contradiction in such a concept as "voluntary government." For, even if all members of a society in a given geographic area voluntarily agreed to support *one* agency to protect and defend them against aggression, as well as arbitrate their disputes, there *would* be no government. There would only be one defense/

arbitration agency, which, because of its vastly superior service, gained the voluntary support of its customers. But even to expect such a phenomenon is as unrealistic as proposing that all of us should voluntarily support the same insurance company or one company of physicians, dentists, or house builders.

Just as on a free market any company, because of true competition, must offer *better* services to its customers, so too, on the free market, defense and arbitration companies would become progressively *more* effective in their jobs of providing protection and defense against aggression and arbitrating disputes.

We believe that one of the reasons why many limited governmentalists shy away from the idea of rational anarchy is because they view private defense and arbitration companies *out of context*, i.e., in the same manner in which governments are viewed. In other words, they mistakenly believe the following:

a) governments are defense agents;
b) governments are aggressive;
c) therefore, any agency engaged in defense will also be aggressive.

They have failed to recognize that "aggression" is the nature of governments, *not the nature of defense*! They have also failed to recognize that a "legal code" is not only unnecessary but harmful to humans, whereas a "moral code" founded on natural law is *imperative* for human survival. That moral code is very simple to understand; it is the moral code of nonsacrifice, nonaggression, and justice.

Ernestine and Richard Perkins
St. Thomas, Ontario
Canada

L(IMITED)/G(OVERNMENT)

I would like to express my appreciation for the articles on anarchism in your March issue. Showing the faults in the alleged workability of anarcho-capitalism is a necessary and important step in any discussion on anarchism. However, it seems to me that libertarians have largely ignored the more complex moral issues involved as well as what the construction of a proper government would look like. Mr. Heiner seems to be aware of this in the last paragraph of his article. I mention this only because many libertarians seem to regard political and social problems as completely solved. Though we are on the right track and have come a long way, there is still a great deal of hard work to be done. While anarchism may lack workability I believe that anarchists have at least a plausible moral position and their criticisms of limited government solutions to date are generally good ones. I am hoping that libertarians of the limited government persuasion will recognize this and start to deal with it. Incidently, for those LG's seriously interested in the contruction of a proper government I recommend *THE CALCULUS OF CONSENT* by James Buchanan and Benjamin Tullock (a book which Rothbard has criticised very very badly).

Finally, as an LG myself, I see no contradiction to the LG position in having private police agencies and perhaps courts as long as the final authority rests with the state and are operated under the rules that have been laid down by the government. Justice is not a service, but securing it may be. How do other LG's feel about this proposal?

Doug Den Uyl
Kalamazoo, Mich.

ELIMINATE TAXATION

I enjoyed the articles on anarchy and hope that you will follow them with others rebutting them so that I can better make up my mind. I would like to have someone comment on some thoughts that occured to me as I read.

Should we ever arrive at that glorious day when there is no longer compulsory taxation and the only thing certain (as it is said) is death, it seems to me we will have, like it or not, de facto anarchy. The power to tax is the power to compel obedience. Therefore, no taxation, no power. No power to compel obedience, no monopoly government. Suppose, being creatures of habit, a country decides to have elections, would the minority necessarily support the majority (the winners) in their choices? What would or could the majority do if the minority decides to secede? Declare war? Then let's think harder for ways to get rid of taxation now and worry about anarchy later!

Barr's comments concerning the status of "legality" made me think, well, maybe there are lots of concepts we will have to rethink and others that we will have to discover. I'm not concerned with legality anyway but with moral principles. We all know the law's been an ass too often. If it weren't, this magazine never would have seen the light of day.

Doris Gades
Silver Spring, Md.

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TEXAS. Single Male, age 27, Ph.D. candidate in biology, advocate of objectivism, looking for rational female and for any reasonable nongovernment employment (would like to teach). Box TX, *REASON.*

UNPUBLISHED WRITER/jazz-rock musician/audio technician with TV, radio, recording studio experience, 3rd Phone workin on 1st wants job anywhere. Contact **Mike Robison,** 401 Carmel Avenue, Pacifica, California 94044.

INVESTMENTS

AS A CHILD, I lived with the sight and smell of mountain pines, the sound and icy splash of gurgling mountain streams, and a hot blue sky that burned sundrenched laughter into my brain. To this day I respond to such places with the feeling that I'm back home again.

That's one reason why I've been saving money to buy some fairly isolated land and a house. The other reasons are economic and political; and, happily, my profession fits well into such a plan. I will reach my savings goal by late 1972 and would like to begin corresponding now with libertarians who would have an active interest in buying land for residence. By pooling our money for a land purchase we could get a better per-acre price. The division of the acreage would be decided before we buy, with each individual putting insdollars for only as much land as he/she wants. Besides the savings on the initial purchase, we all stand to save time and energy thereafter by having like-minded neighbors to trade goods and services with. And listen: I have learned from having had good friends that it is important to be able to share laughter, experiences and hope, and to exchange ideas and information with people for whom I have respect and affection.

If you have active interest in my plan, PLEASE communicate it to me along with your ideas, preferences and information on the subject of land purchase. We just might get a good thing going! Contact *Chris Mikulasek,* 323 Heller, Apt. 16, Redwood City CA 94063.

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NOTICE FOR SAILORS OF FORTUNE: A well-known operation (libertarian references will be supplied on request) offers an outstanding opportunity for one or two adventurers with $5,000 to $15,000 to invest (and a taste for long hours and hard work) to make $100,000 or more per year (in cash: no withholding, no reporting) to start in an exciting new (and legal) venture. This situation will involve command of a thirty- to forty-foot Diesel motorboat; prior experience in this area will be helpful but is not necessary. Individuals should be non-U. S. citizens or be willing to acquire this status. A finder's fee of $100 is available to whoever first brings the name of any person ultimately engaged by us to our attention. Write via air mail (no telephone calls, visits, or telegrams, please) to Jolly Roger, 736 Cloverdale Road, Montgomery, Alabama 36106 U. S. A.

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22-YEAR-OLD MALE, student of creative writing and journalism, desires a romantic relationship with a quiet, intelligent, and affectionate career-oriented girl, age 18-24, living in the Pacific Northwest, who believes in the basic principles of Objectivism and has a passion for romantic fiction. My interests include writing & reading fiction, music, travel, kayaking, hiking—and pet cats. I ain't dumb—IQ 135, whatever that means —but I am quiet and don't greatly enjoy philosophical discussions; philosophy prepares one for living—and I'm already prepared. Spending too much time on it just wastes energy that should go into the living. I want a woman who shares that attitude. Write c/o *REASON* Box LL.

TO THE WOMAN OF REASON and self esteem: I have always been without you since you're one of the rational minority and therefore so difficult to find. I have experienced frustrated lust for years. Contact me as soon as possible. Box RR, c/o *REASON*.

VIVACIOUS WOMAN,48, seeks a man who wants to express his total person in a shared and deeply rewarding love relationship. Please reply Box HH, *REASON* magazine.

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PEOPLE OF OBJECTIVIST/ LIBERTARIAN persuasion in Albany-Schenectady area interested in meeting others with similar views, contact *James D. Landers*, 1484 Glenwood Blvd., Schenectady, New York 12308, Phone (518) 374-9078.

NEW YORK CITY: Young man, age 31, interested in developing meaningful friendships with students of Objectivism of either sex who enjoy serious intellectual discussions about philosophy, psychology, economics, and politics. Reply to Box NY, *REASON*.

LIBERTARIANS IN OKLAHOMA, isolation is not the same as independence. It is possible to uphold rational values, achieve political changes and win by rational advocacy. Contact: *Libertarian Party of Oklahoma*, D. Frank Robinson, Acting Chrmn., PO Box 25517, Oklahoma City, Oklahoma 73101.

I want my profit; a heroine, friends, teachers. I'm intellectual, rational, and broad-minded, struggling to be the greatest, hero, author and actor I can. I love myself, life, Rand, Aristotle, Nietzsche, Shakespeare, Beethoven, Olivier, Homer, Wagner, Catullus, and Rembrandt; also like science, business, sports. And I profit all who deal with me. **Grant Schuyler**, 16 Admiral Rd., Toronto 5, Ontario, Canada.

LIBERTARIAN MAN, AGE 32, would like to find an emotionally mature woman who enjoys being physically fit and intellectually active and who desires a partner with whom to share life in a romantic relationship. David King, 3900 65 Avenue, Landover, Maryland 20784.

ARE YOU INTERESTED in talking to other readers of *REASON*? If you are, contact me. My phone number is (717) 766-5341; my address is 1 Oakwood Avenue, Mechanicsburg, Pennsylvania 17055. Betty Parsell.

EIGHTH EQUITARIAN CONFERENCE, OMAHA, Nebraska, late August or early September, 1972. Tentative topics of the two-day conference include: Value Theory; Le Fevre's Theory of Property and Coercion; Metaphysical Possibility and Legal Responsibility; Causality and Volition. For details, write Equitarian Associates, Box 948e, Iowa City, IA 52240.

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NO VALE OF TEARS

He could not keep the pace up,
On this journey I'd begun.
the speed was dizzy,
The path too steep,
And strewn with hurdles
Forbidding sleep.

He could not give the comfort up,
Of crowds in vast agreement.
He saw the goal
Bright thru my eyes,
But dimly thru his own . . .
That's how love dies.

I would not give the journey up,
Or be the strength for two.
I might have wept,
Had I not known,
It's no more lonely,
To be alone.

Clarica Dee Scott

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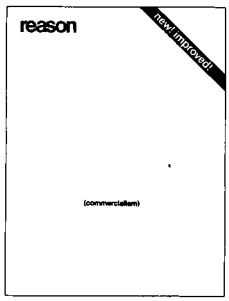

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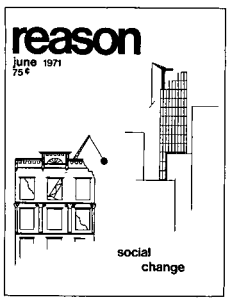

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